

BANKING PERIODIC

OVERVIEW OF THE FINANCIAL
SECTOR IN KOSOVO

COMPENDIUM OF
MONTHLY PUBLICATIONS
FOR 2015

BANKING PERIODIC



SHOQATA E BANKAVE TË KOSOVËS
KOSOVO BANKING ASSOCIATION

 Banka Ekonomike



 iSBANK

NLB  Prishtina



PREPARED BY:

DR. SC. PETRIT BALIJA,
Editor - in - chief

KRESHNIK KOSUMI,
Editor

MIRANDA RUGOVAJ
Coordinator

KOSOVO BANKING ASSOCIATION

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SHOQATA E BANKAVE TË KOSOVËS
KOSOVO BANKING ASSOCIATION

The views and opinions expressed in this publication are a summary of the discussions by panels of the Finance Fair 2015. These views and opinions do not necessarily reflect the views of the Kosovo Banking Association. This review will serve as a reflection on what has been concluded from the discussions at the two-day conferences and opening of the Finance Fair 2015 so that the relevant institutions can take respective measures to improve the business environment in Kosovo.

COMPENDIUM OF MONTHLY PUBLICATIONS FOR 2015

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BANKING PERIODIC - JANUARY 2015

STRUCTURE OF FINANCIAL SYSTEM ASSETS



FINANCIAL SYSTEM IN KOSOVO

The financial system, namely banking, enables the system of various payments such as local and international transfers, bill payments, remittance deliveries etc. At the same time, commercial banks enable saving deposits of citizens and businesses and simultaneously lending to those in need of capital. A financial system can operate on a global, regional, local, and a more specific scale. The financial system includes capital markets, intermediary institutions, financial regulators and other financial institutions which are used to conduct financial operations of households, enterprises and other governmental institutions.

The financial system in Kosovo after the war and until this period has increased continuously in most of its values, indicating that financial institutions in Kosovo have established a sound base of operation by providing security and trust to clients. This has made the financial system in Kosovo to continually contribute to the economic development of the country through the lending process by credit institutions (through commercial banks and microfinance institutions), but also through the services provided by insurance companies.

The number of financial institutions is increasing continuously, which indicates that this sector is attractive to investors and offers a high level of security and reliability for citizens.

This can be seen from table 1 presented for 2010-2014, which shows that at the end of 2010 the financial system in Kosovo comprised of a total of 67 institutions, while in June 2014, their number has reached a total of 84 institutions.

NUMBER OF FINANCIAL INSTITUTIONS					
Description	2010	2011	2012	2013	Jun-2014
Commercial banks	8	8	8	9	10
Insurance companies	12	13	13	13	13
Pension funds	2	2	2	2	2
Financial auxiliaries	28	34	34	38	41
Microfinance institutions	17	20	20	17	18
Total	67	77	77	79	84

Tab. 1 | Source: CBK – Annual report (2013) and Financial Stability Report no.06

In an interval of three years and a half, a total of 17 institutions have been added, including two additional commercial banks, an insurance company, thirteen financial auxiliaries and a microfinance institution compared to 2010. This shows that the largest increase in the number of institutions is marked by financial auxiliaries with thirteen institutions.

FINANCIAL SYSTEM ASSETS

At the end of June 2014, the assets of the financial system in Kosovo reached a value of 4,314.40 billion euro. The value of total assets of the financial system has increased continuously over the years. This can be seen from the table no. 2 shown below.

STRUCTURE OF FINANCIAL SYSTEM ASSETS					
					Million Euro
Description	2010	2011	2012	2013	Jun-2014
Commercial banks	2,455.10	2,649.70	2,829.30	3,059.30	3,059.50
Insurance companies	97.2	106	130.8	132.5	135.60
Pension funds	493.7	593.3	744.6	918.7	997.30
Microfinance institutions	134	121.9	115.8	112.9	113.10
Financial auxiliaries			8.2	7.60	8.90
Total	3,180.00	3,470.90	3,828.70	4,231.00	4,314.40

Tab. 2 | Source: CBK – Annual Report (2010-2013) and Financial Stability Report no.06

In June 2014, from the total assets of the financial system, the majority was comprised of banking industry with a value of 3,059.50 billion euro. Thereafter, pension funds are ranked with a value of 997.30 million euro, insurance companies in the amount of 135.60 million euro, microfinance institutions in the amount of 113.10 million euro and at the end financial auxiliaries with a value of 8.9 million euro. The assets of the financial system in Kosovo, in an interval of three and a half years have increased over one billion euro, i.e. from 3,180 billion euro at the end of 2010, at 4,314.40 billion euro at the end of June 2014.

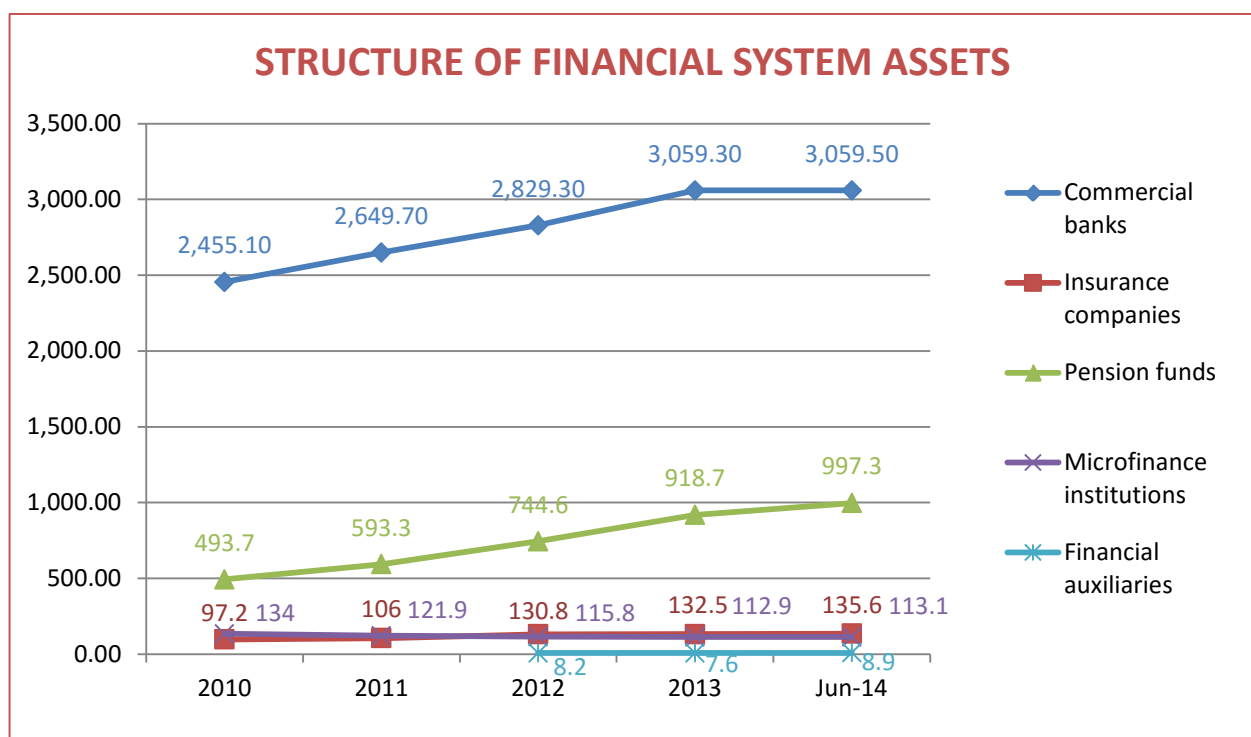


Fig. 1 | Source: CBK – Annual Report (2010-2013) and Financial Stability Report no.06

From the presented figure number 1, it can be noted that the significant increase in their total assets at fair value was recorded by commercial banks and pension funds, while in lower values there was also a slight increase in the assets of insurance companies and microfinance institutions.

Table no. 3 presents participation percentages of sectors in the overall financial system in Kosovo. The banking industry continues to dominate the greatest participation within the financial system which at the end of June 2014 accounted for 70.8% of total assets of the financial system, although this percentage has continuously marked decrease in recent years.

STRUCTURE OF FINANCIAL SYSTEM ASSETS EXPRESSED IN PERCENTAGE					
Description	Million Euro				
	2010	2011	2012	2013	Jun-2014
Commercial banks	76.9%	76.1%	73.9%	72.3%	70.8%
Insurance companies	3.0%	3.2%	3.4%	3.1%	3.1%
Pension funds	15.5%	17.0%	19.5%	21.7%	23.2%
Financial auxiliaries	0.2%	0.1%	0.2%	0.2%	0.3%
Microfinance institutions	4.4%	3.6%	3.0%	2.7%	2.6%

Tab. 3 | Source: CBK – Annual Report (2010-2013) and Financial Stability Report no.06

If we consider the longer term perspective (2010-June 2014), as we can see in Figure number 2 and 3, the participation rate of the banking industry in the overall financial system assets decreased from 76.9% at the end of 2010 (figure 2), to 70.8% at the end of June (Fig.3). That happened due to increased pension funds which at the end of June 2014 have reached a value close to one billion euro.

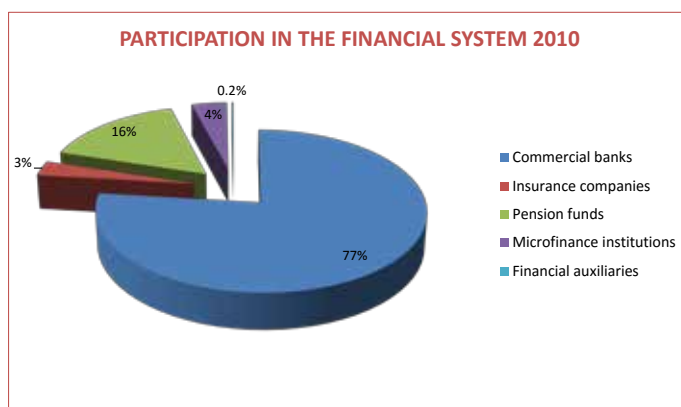


Fig. 2 | Source: CBK – Annual Report (2010-2013) and Financial Stability Report no.06

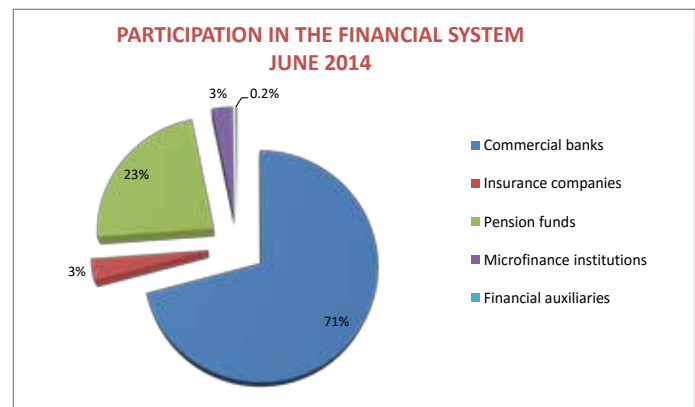


Fig. 3| Source: CBK – Annual Report (2010-2013) and Financial Stability Report no.06

The participation of pension fund assets has continued to increase in total assets of the financial system, where as seen in Figure 3 at the end of June, they have reached 23.2%, while in 2010 as presented in Figure 2, it was 15.5%. During this comparative period (2010-June 2014), insurance companies have managed to overcome microfinance institutions in the percentage of participation in relation to total assets. In June 2014, insurance companies accounted for 3.1% of total assets of the financial system, while microfinance institutions accounted for 2.6%.

It is important to note that all actors of the financial system have increased their assets, if we compare the period June 2014 and the end of 2013. So the financial system, during the first half of 2014, steadily continued the development and expansion of its activity, despite the challenges faced by the working environment in which they interact.

COMPOSITION OF FINANCIAL SYSTEM ASSETS

In this section, two of the main industries that make up the financial system will be broken down, which in our case are the banking industry and pension funds. The composition of the banking industry as the largest sector that includes 70.8% of the total assets of the financial system is dominated by gross loans and leasing which in June constituted about 61.7% of total assets of the banking industry.

As seen in the table and figure number 4, the rest consists of securities with 13.2% of total assets, cash and balances with CBK constitutes 11.7%, balance with commercial banks with 10.4% and so on.

COMPOSITION OF FINANCIAL SYSTEM ASSETS	
Description	Jun-2014
Cash and balances with CBK	11.7%
Balance with commercial banks	10.4%
Securities	13.2%
Gross loans and leasing	61.8%
Fixed assets	1.8%
Other assets	1.1%

Tab. 4 | Source: CBK – Balance Sheet of Other Depository Corporations

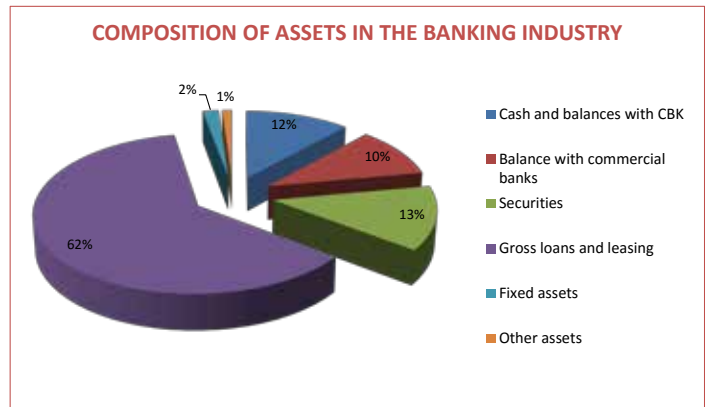


Fig. 4 | Source: CBK – Balance Sheet of Other Depository Corporations (June 2014)

Pension funds rank second based on assets of the financial system, which in June 2014 accounted for 23.2% of total assets. Within the Pension Funds, as shown in the table and figure number 5, the main part of their assets is comprised of private placements making up 75.4% of total assets.

PENSION FUND ASSET COMPOSITION	
Description	Jun-2014
Cash on hand and in banks	18.2%
Total government bonds	6.4%
Private placements	75.4%
Other assets	0.0%

Tab. 5 | Source: Balance Sheet of the Trust (Q2 - 2014) and SKPF Annual Report 2013

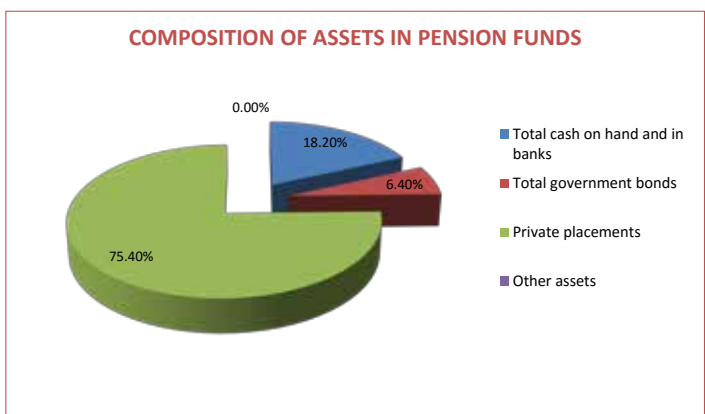


Fig. 5 | Source: Balance Sheet of the Trust (Q2 - 2014) and SKPF Annual Report 2013

Following private placements within the assets, cash on hand and in banks is listed with a total of 18.2% of total assets of pension funds. The rest is comprised of government bonds and other assets.

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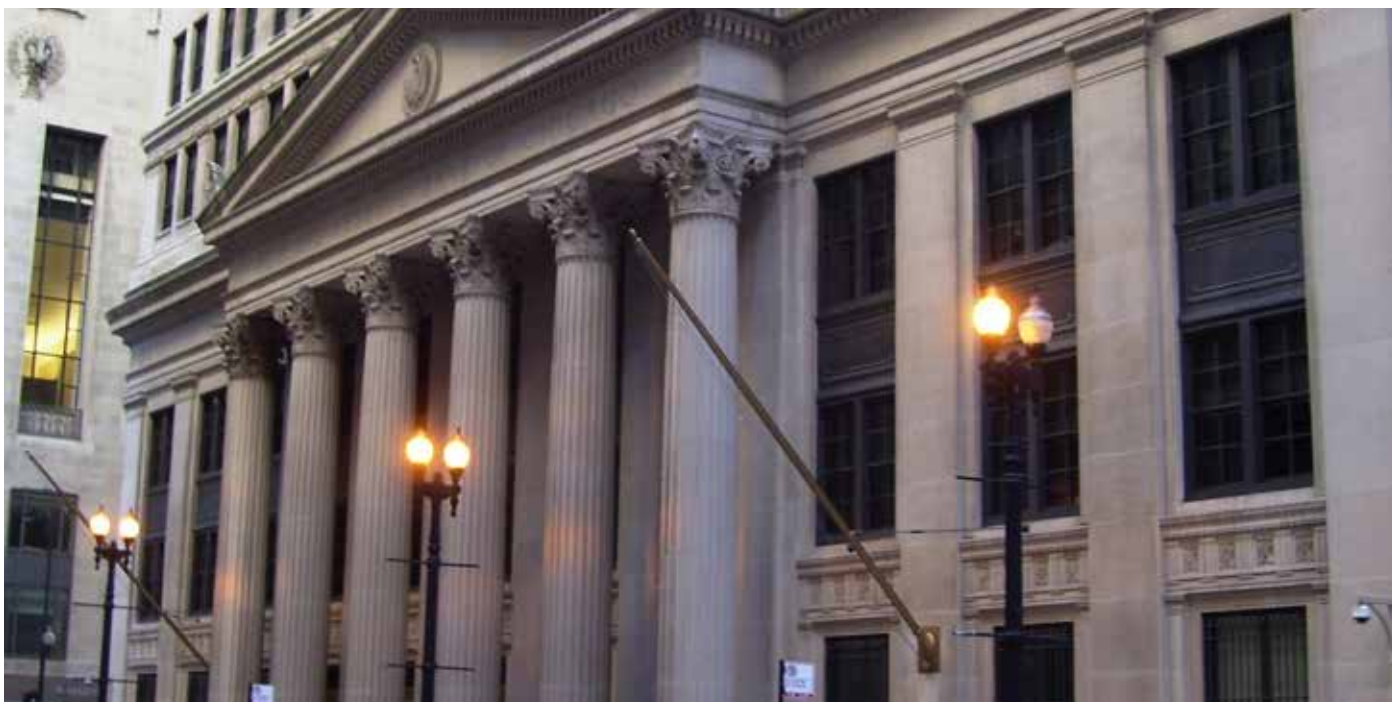
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BANKING PERIODIC - FEBRUARY 2015

STRUCTURE OF ASSETS OF THE BANKING INDUSTRY



STRUCTURE OF ASSETS OF THE BANKING INDUSTRY

A total of ten commercial banks operate today in Kosovo, from which last year, the tenth commercial bank has received its license. The banking industry in Kosovo constitutes 70.8% of total assets of the financial system. Therefore this edition will address one of the main components of the financial system. Kosovo's economy is considered to be relatively new but characterized by a rapid development of the financial system. In this context, the banking industry has also increased consistently, whereby at the end of 2014 has reached a value of assets in the amount of 3,186.8 million Euro.

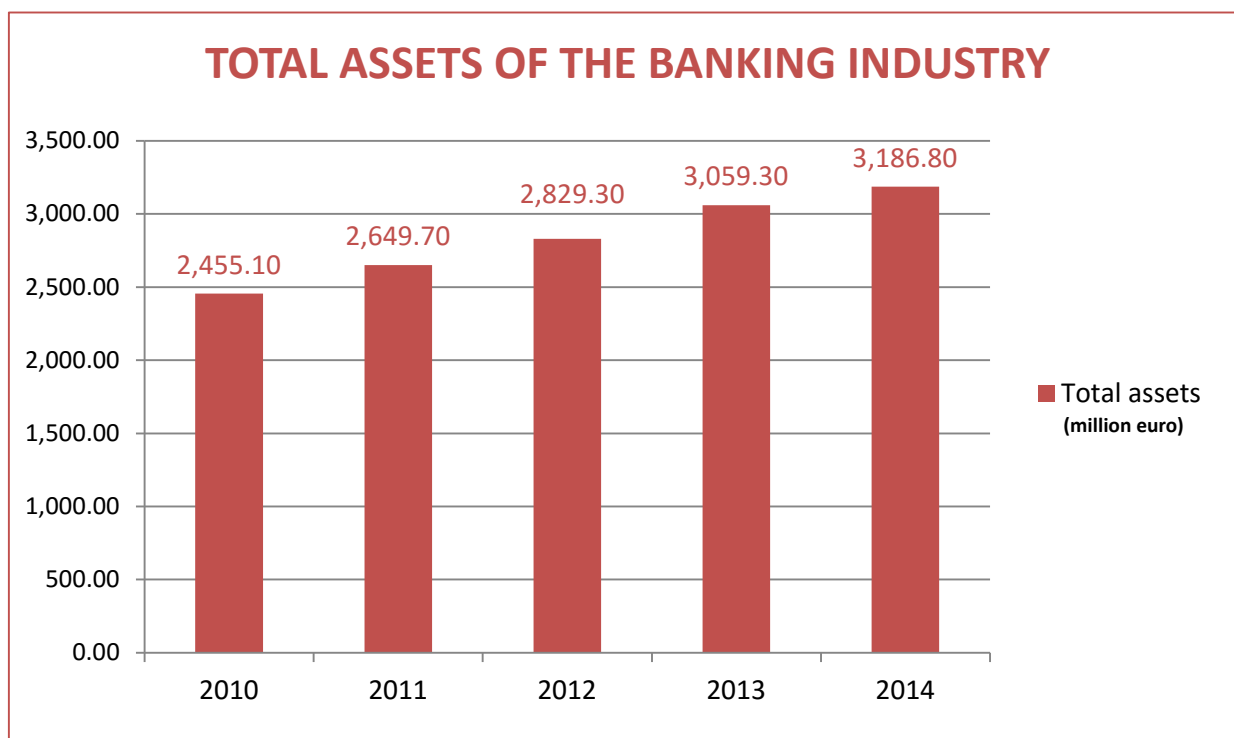


Fig. 1 | Source: CBK – Balance Sheet of Other Depository Corporations

The assets of the banking industry have increased consistently from year to year, making it the bearer of economic development in the country. If viewed in a longer term, i.e. within a period of four years (2010-2014), the assets of this industry have increased by 29.8%.

STRUCTURE OF ASSETS OF THE BANKING INDUSTRY					
					Million Euro
Description	2010	2011	2012	2013	2014
Cash and balances with CBK	307.0	331.5	425.7	463.3	454.2
Balance with commercial banks	439.1	329.5	287.9	339.9	383.8
Securities	173.4	202.0	256.6	354.5	383.8
Loans and leasing	1,458.7	1,698.1	1,763.4	1,805.8	1,882.5
Fixed assets	44.0	47.4	57.7	55.5	53.7
Other assets	32.9	41.3	38.1	40.3	28.7
Total assets	2,455.1	2,649.7	2,829.3	3,059.3	3,186.8

Tab. 1 | Source:CBK – Balance Sheet of Other Depository Corporations

The structure of assets of the banking industry as shown in Table 1 is dominated by loans and leasing, followed by cash and balances with CBK, balance with commercial banks and securities.

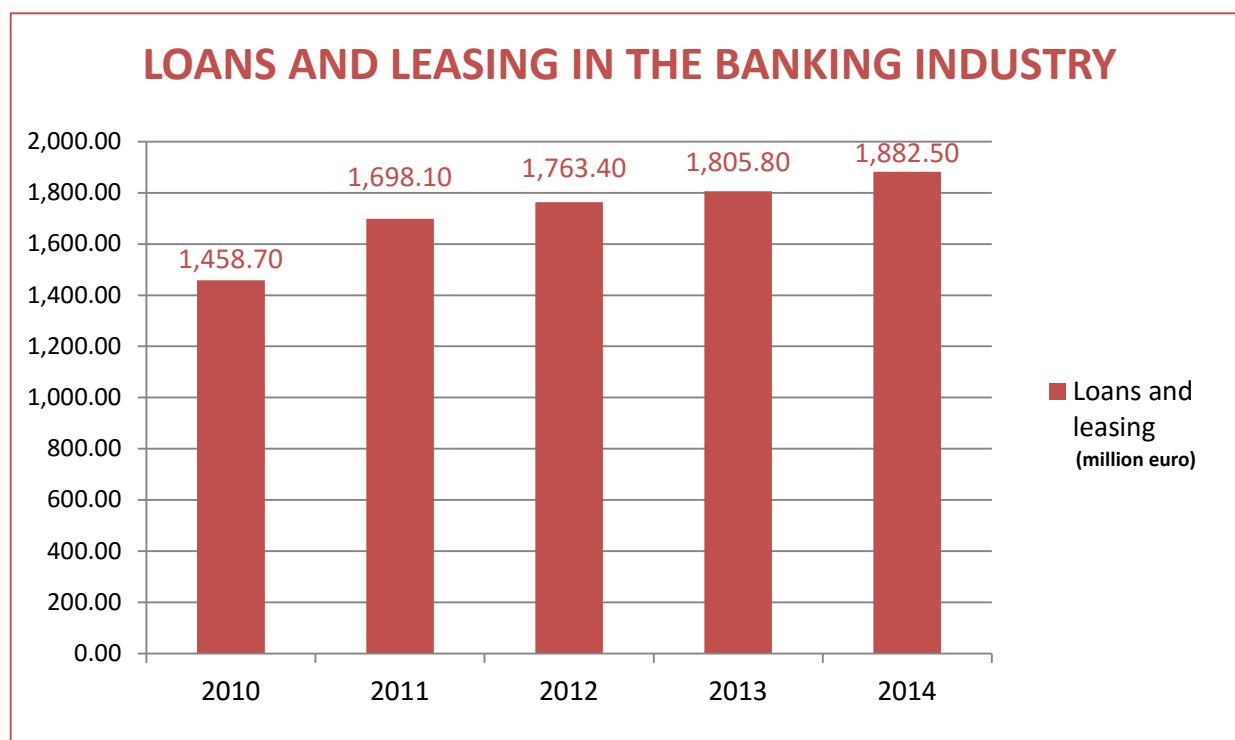


Fig. 2 | Source: CBK – Balance Sheet of Other Depository Corporations

In Figure 2 we can see that the value of loans and leasing at the end of 2010 was 1,458.7 million euro, which means that within a period of four years the value of loans and leasing have increased by 29% if comparing the periods 2010-2014. This illustrates that their value was increased in the same proportion with the increase in total assets of the banking industry, which means that loans and leasing were the main component of this growth.

Securities also recorded significant increases within this asset structure, in which case within a period of four years it ranked third in the components of assets along with the balance with commercial banks within the total assets of the industry.

The second component by value of the asset structure of the banking industry was cash and balances with

Central Bank of Kosovo, which also marked an increase in the structure of assets, except in 2014 when this amount was reduced to 14.3%. Following this, securities, balance with commercial banks, fixed assets and other assets are ranked in the respective order.

PARTICIPATION IN STRUCTURE OF ASSETS OF THE BANKING INDUSTRY					
Participation	2010	2011	2012	2013	2014
Cash and balances with CBK	12.5%	12.5%	15.0%	15.1%	14.3%
Balance with commercial banks	17.9%	12.4%	10.2%	11.1%	12.0%
Securities	7.1%	7.6%	9.1%	11.6%	12.0%
Loan and leasing	59.4%	64.1%	62.3%	59.0%	59.1%
Fixed assets	1.8%	1.8%	2.0%	1.8%	1.7%
Other assets	1.3%	1.6%	1.3%	1.3%	0.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Tab. 2 | Source: CBK – Balance Sheet of Other Depository Corporations

As seen in Table 2, it can be noted that the structure of total assets of the banking industry was dominated by loans and leasing, although in the past three years, there has been a slight tendency to decrease in the context of total assets. Growth was recorded in cash, with the exception of last year, the balance with commercial banks in the past two years and especially securities during the comparative period.

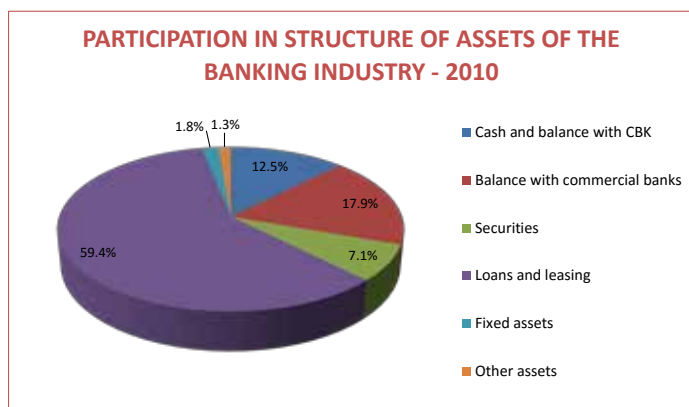


Fig. 3 | Source: CBK – Balance Sheet of Other Depository Corporations

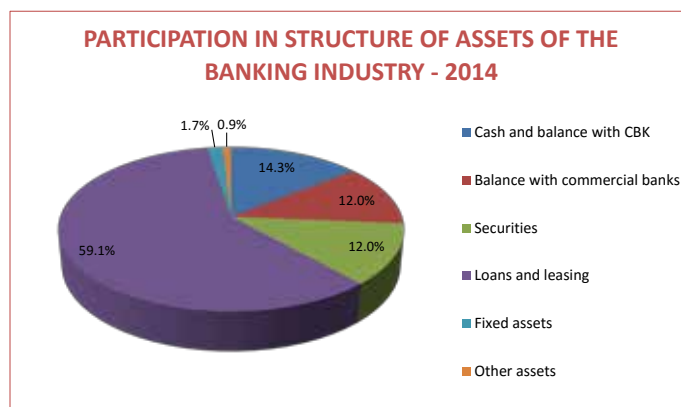


Fig. 4 | Source: CBK – Balance Sheet of Other Depository Corporations

If we compare the data between 2010 and 2014, as presented in Figure 3 and 4, we can observe that loans and leasing expressed as a percentage of assets within the banking industry remained roughly the same within the total assets' structure, while the balance with commercial banks declined. Securities recorded significant increases in this composition. So, analyzing generally, within the comparative period, the composition of assets of the banking industry has not changed considerably and has been dominated by loans and leasing that banks have issued to their customers; and small movements of other components of assets, mainly securities.

ANNUAL INCREASE/ DECREASE OF THE STRUCTURE OF ASSETS OF THE BANKING INDUSTRY				
Description	2011	2012	2013	2014
Cash and balances with CBK	8.0%	28.4%	8.8%	-2.0%
Balance with commercial banks	-25.0%	-12.6%	18.1%	12.9%
Securities	16.4%	27.0%	38.2%	8.3%
Loans and leasing	16.4%	3.8%	2.4%	4.2%
Fixed assets	7.6%	21.7%	-3.7%	-3.2%
Other assets	25.8%	-7.8%	5.6%	-28.6%
Total assets	7.9%	6.8%	8.1%	4.2%

Tab. 3 | Source: CBK – Balance Sheet of Other Depository Corporations

Table 3 shows the movement as a percentage increase or decrease from year to year of total assets and other components within the assets of the banking industry. Total assets of the banking industry had increased continuously, while in 2014 this increase was smaller compared to previous years.

Loans and leasing as the largest component of the structure of assets had also increased in all comparative years, although this increase in the last year was smaller compared with other periods similar to total assets. Fixed assets, other assets and cash were reduced in 2014 compared to 2013. One of the reasons of this occurrence is last year's banking industry was oriented to the advancement and increased use of services and electronic products, which has led to the need for physical presence or even cash to be lower in comparison to previous periods, while other key values of the structure of assets (such as loans) have increased continuously. This strategy followed by the banking industry towards the development and advancement of electronic technology is also in line with the national strategy of payments compiled by the Central Bank of Kosovo.

LOANS BY ECONOMIC ACTIVITY

Within the banking industry assets, loans constitute the majority of them. Loans issued to the economic operators constitute the majority of total loans.

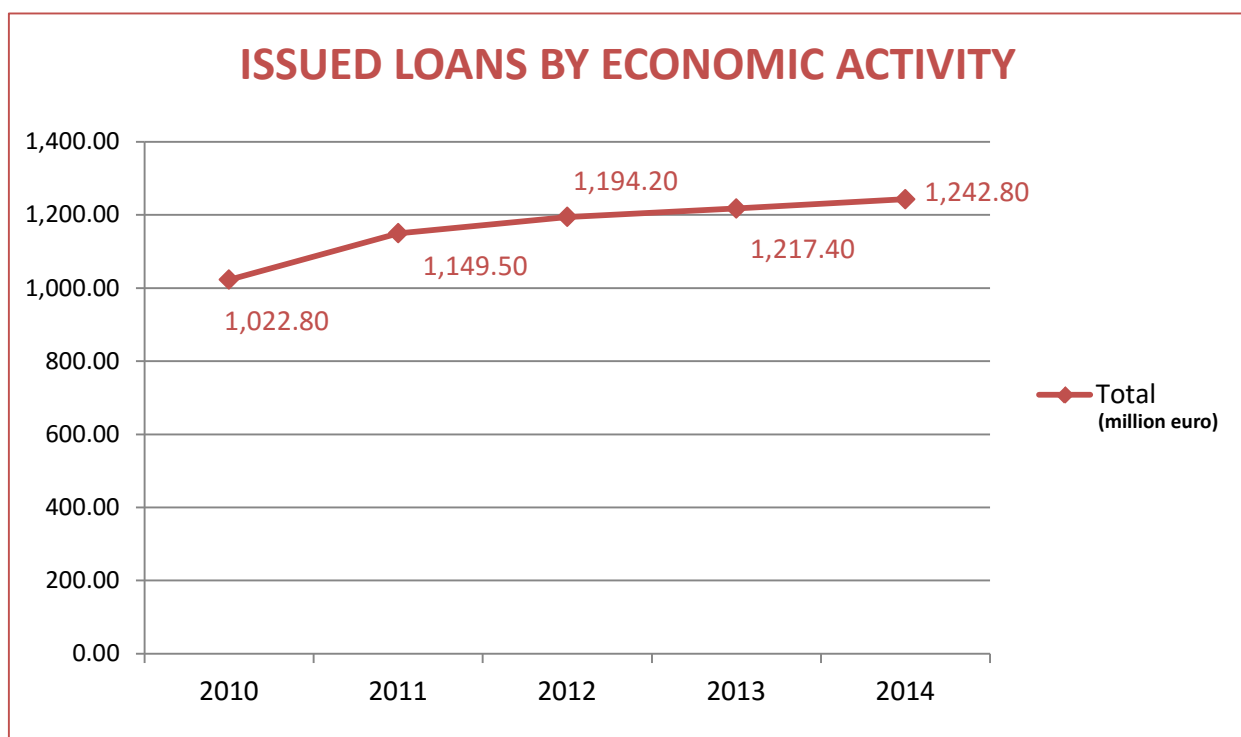


Fig. 5 | Source: CBK – Other depository corporations loans by economic activity

Figure 5 shows that the value of loans issued for economic activities at the end of 2014 had grown by 25.4 million Euro compared to 2013, while in comparison with 2010, this represents an increase of 220 million Euro or 21.5%.

LOANS BY ECONOMIC ACTIVITY										
										Milion euro
Description	Agriculture	Mining	Manufacturing	Energy	Construction	Trade	Hotels & Restaurants	Other trade	Other services	Total
2010	38.2	14.6	127.6	18.0	109.1	521.2	39.5	18.9	135.6	1,022.8
2011	40.5	17.2	136.7	14.5	116.3	606.2	39.9	23.4	154.9	1,149.5
2012	43.6	16.2	133.1	15.9	125.2	635.3	38.8	22.7	163.3	1,194.2
2013	45.8	20.1	131.7	20.8	118.7	640.6	49.2	19.1	171.3	1,217.4
2014	49.4	19.7	148.9	17.1	104.2	664.0	49.7	17.1	172.6	1,242.8

Tab. 4 | Source: CBK – Other depository corporations loans by economic activity

Within total loans by economic activity, the majority consisted of loans issued for trade. As seen in Table 4 loans issued to the trade sector had grown steadily during this comparative period, thereby increasing its share within total loans. This is followed by loans issued for other services, manufacturing purposes, construction and others.

PARTICIPATION OF LOANS BY ECONOMIC ACTIVITY										
Description	Agriculture	Mining	Manufacturing	Energy	Construction	Trade	Hotels & Restaurants	Other trade	Other services	Total
2010	3.7%	1.4%	12.5%	1.8%	10.7%	51.0%	3.9%	1.9%	13.3%	100.0%
2011	3.5%	1.5%	11.9%	1.3%	10.1%	52.7%	3.5%	2.0%	13.5%	100.0%
2012	3.7%	1.4%	11.1%	1.3%	10.5%	53.2%	3.2%	1.9%	13.7%	100.0%
2013	3.8%	1.7%	10.8%	1.7%	9.8%	52.6%	4.0%	1.6%	14.1%	100.0%
2014	4.0%	1.6%	12.0%	1.4%	8.4%	53.4%	4.0%	1.4%	13.9%	100.0%

Tab. 5 | Source: CBK – Other depository corporations loans by economic activity

Table 5 shows that trade in all comparative years comprises more than half of the loans by economic activity, followed by loans to other services, loans for manufacturing, construction, agriculture, etc.

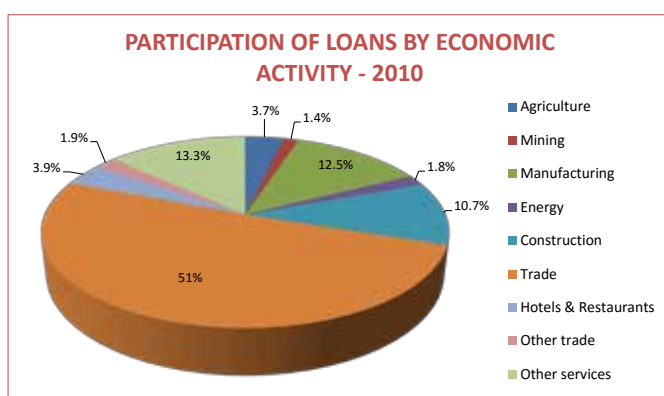


Fig. 6 | Source: CBK – Other depository corporations loans by economic activity

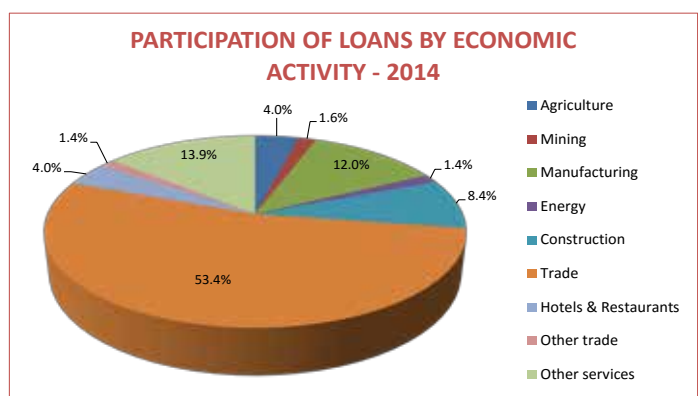


Fig. 7 | Source: CBK – Other depository corporations loans by economic activity

Loans issued by economic activity have not changed much in their composition, when compared over the years. This can be seen through the presented figures 6 and 7, where it's visible that this composition was dominated by loans issued for trade with 51% (2010), respectively 53.4% (2014), followed by manufacturing with 12.5% (2010), respectively 12% (2014), then construction and other economic sectors.

NEW LOANS

New loans in the banking industry were dominated by loans issued to non-financial corporations compared to loans issued to households. In all the comparative periods throughout the years, an increase in new loans for both categories can be observed.

NEW LOANS IN THE BANKING INDUSTRY			
			Million euro
Description	Non-financial corporations	Households	Total
2010	491.3	240.5	731.8
2011	508.4	293.7	802.1
2012	468.4	275.9	744.3
2013	467.9	294.1	761.9
2014	615.4	378.5	993.9

Tab. 6 | CBK –Other Depository Corporations New Loans

As seen in Table 6, in relation to 2010, total new loans in 2014 grew by 35.8%. The year 2014 also marked a record value of new issued loans by the banking industry within a year.

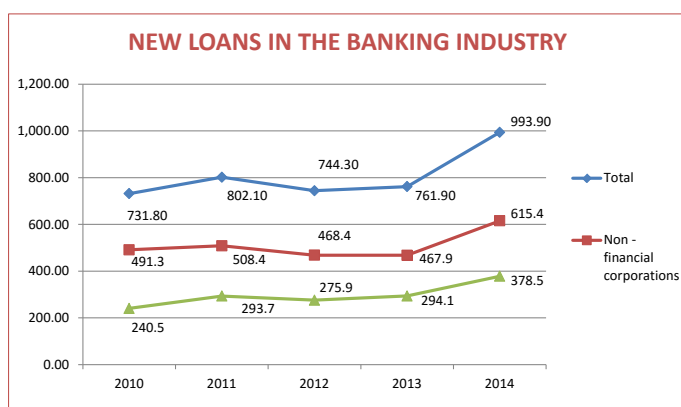


Fig. 8 | Source: CBK –Other Depository Corporations New Loans

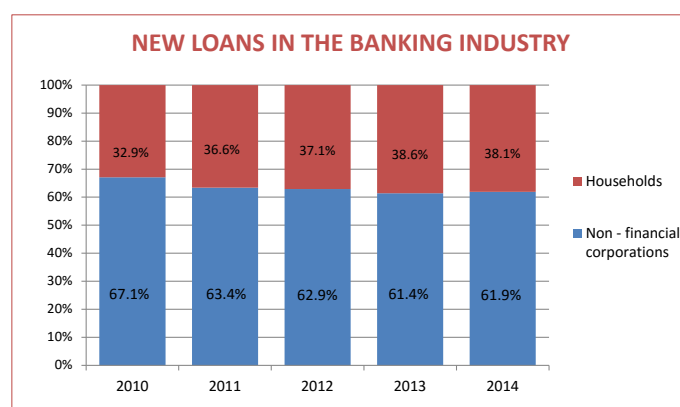


Fig. 9 | Source: CBK – Other Depository Corporations New Loans

Figure 8 and 9 presented show that the distribution of loans to non-financial corporations and households over the years has been roughly the same, without major changes, even though there is a slight increase in the participation of loans to households with the exception of last year (2014) when their share was reduced within the total new loans.

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BANKING PERIODIC - MARCH 2015

STRUCTURE OF LIABILITIES OF THE BANKING INDUSTRY

LIABILITIES OF THE BANKING INDUSTRY IN KOSOVO

The previous number of banking periodical addressed the asset structure of the banking industry for the period 2010-2014, where a comparison of the data over five years was made. While in this number we featured the structure of liabilities of the banking industry. Similar to the banking industry assets, the structure of liabilities has also constantly increased within the total liabilities.

Just as banking assets, liabilities are also part of the balance sheet. Bank liabilities are debts incurred by a bank, basically the obligations of a bank. While a bank is traditionally obliged to have obligations and commercial debt, the majority of liabilities of a bank are financial. The main category of bank liabilities is deposits, i.e. financial assets that others have deposited in the bank as deposits or savings. In this sense, the bank is obliged or compelled to citizens about this property deposited for savings in the form of deposits. Within liabilities, another important category is also the shareholder's capital invested; investments that are recorded as liabilities of the bank towards its owners.

As can be seen from the data presented in this publication, the structure of liabilities of the banking industry continues to be dominated by household deposits that simultaneously represent the main source of financing to businesses in Kosovo.



STRUCTURE OF LIABILITIES OF THE BANKING INDUSTRY

Description	Million euro*				
	2010	2011	2012	2013	2014
Balance from other banks	70.7	40.0	6.0	16.5	31.8
Deposits	1,936.8	2,104.0	2,279.1	2,449.0	2,537.5
Other borrowings	23.4	30.4	18.9	13.4	14.1
Written down provisions	0.1	0.2	1.7	2.0	2.9
Other liabilities	160.1	191.3	221.4	244.1	229.9
Subordinated debt	33.5	31.0	31.0	56.3	47.3
Bank's liabilities on acceptances outstanding	-	-	0.5	0.1	-
Own resources	230.4	252.8	270.7	277.8	323.1
Total liabilities	2,455.1	2,649.7	2,059.3	3,059.3	3,186.6

Tab. 1 | Source: CBK – Balance Sheet of Other Depository Corporations

The table 1 of the structure of liabilities of the banking industry shows that growth is constant from year to year. At the end of 2014, total liabilities have increased by 4.1% compared to the same period in 2013. If viewed in the medium term, i.e. within a period of five years (2010-2014), the obligations of this industry have increased by 29.8%.

Within this structure the main part is constituted by deposits, followed by own resources, other liabilities, subordinated debt, and so on. From the structure of liabilities, it is observed that in addition to deposits, a significant increase was recorded by own resources, while various fluctuations were recorded by other liabilities.

STRUCTURE OF LIABILITIES OF THE BANKING INDUSTRY (%)					
Description	2010	2011	2012	2013	2014
Balance from other banks	2.9%	1.5%	0.2%	0.5%	1.0%
Deposits	78.9%	79.4%	80.6%	80.1%	79.6%
Other borrowings	1.0%	1.1%	0.7%	0.4%	0.4%
Written down provisions	0.0%	0.0%	0.1%	0.1%	0.1%
Other liabilities	6.5%	7.2%	7.8%	8.0%	7.2%
Subordinated debt	1.4%	1.2%	1.1%	1.8%	1.5%
Bank's liabilities on acceptances outstanding	-	-	0.0%	0.0%	-
Own resources	9.4%	9.5%	9.6%	9.1%	10.1%
Total liabilities	100.0%	100.0%	100.0%	100.0%	100.0%

Tab. 1 | Source: CBK – Balance Sheet of Other Depository Corporations

As seen from Table 2, deposits have relatively had the same inclusion within the total liabilities for the periods taken for comparison, while a slight increase in this structure was marked by own resources. A significant part in the structure of liabilities is comprised also by other liabilities, while other categories have very low participation in total liabilities.

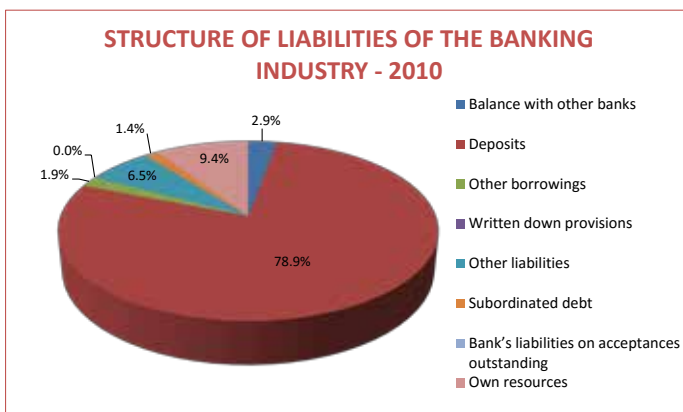


Fig. 1 | Source: CBK – Balance Sheet of Other Depository Corporations

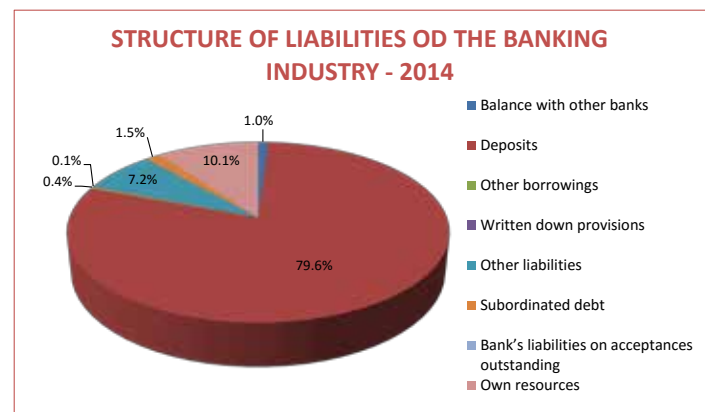


Fig. 2 | Source: CBK – Balance Sheet of Other Depository Corporations

Despite the growth of the structure of liabilities by 29.8% within five years, the composition of the structure of liabilities has remained the same, as can be seen in Figure 1 and 2 presented. It is constantly dominated by deposits, the structure of which will be addressed below.

During comparative periods of the data within this publication, the deposits of the banking industry have increased approximately proportional to the increase of total liabilities.

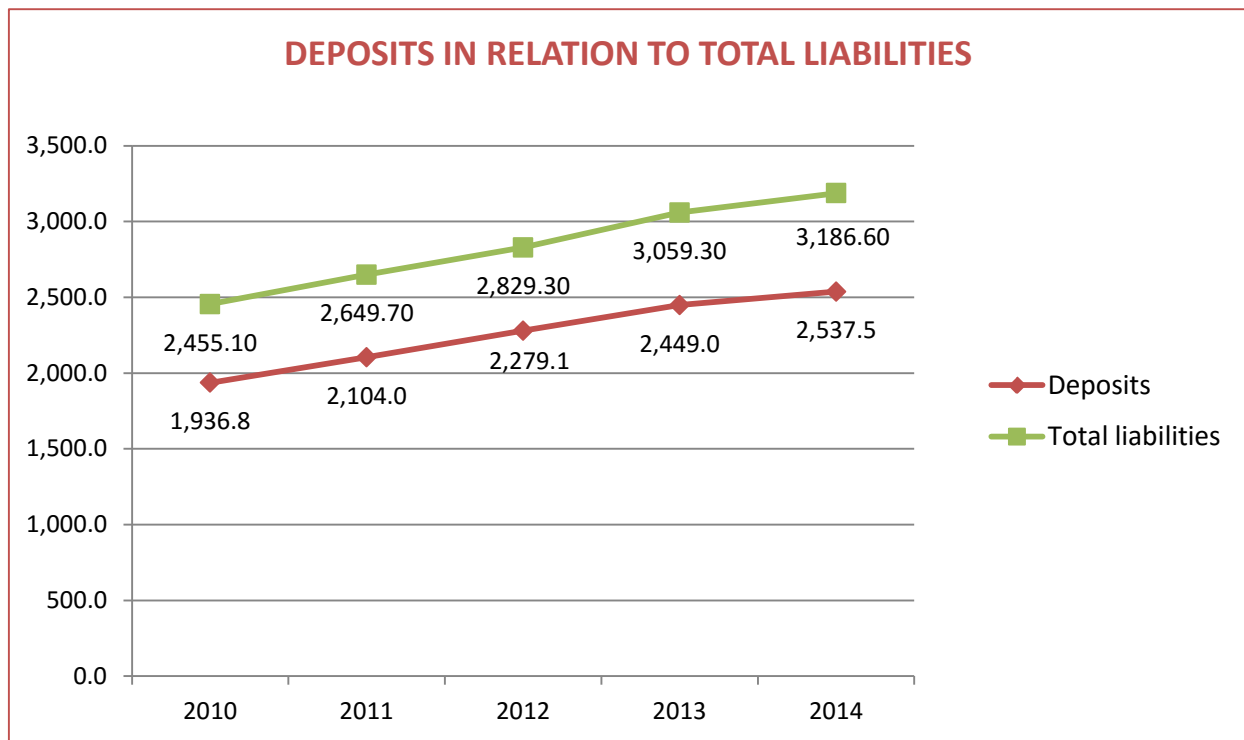


Fig. 3 | Source: CBK – Balance Sheet of Other Depository Corporations

This increase approximately proportional can be seen from the presented Figure 3, where the upward trend in the ratio of deposits is linear with increasing obligations.

THE STRUCTURE OF DEPOSITS

Deposits represent the main source of income for the banking industry, so their steady growth in the banking industry in Kosovo is of great importance to the financial stability in the country. Fortunately, since the opening of the first commercial bank in Kosovo, deposits of the banking industry as the main part of the structure of liabilities have increased continuously becoming a key factor in the development of the financial system in Kosovo. The following addresses the structure of deposits of commercial banks in the country.



STRUCTURE OF DEPOSITS OF THE BANKING INDUSTRY					
	Million euro*				
Description	2010	2011	2012	2013	2014
Government	11.7	2.7	0.7	1.8	8.8
Other depository corporations	7.3	9.9	3.8	2.5	2.8
Other financial intermediaries	7.9	6.8	6.2	7.4	5.1
Insurance companies	47.6	57.2	64.3	72.3	79.3
Pension funds	41.6	43.1	45.3	5.7	17.1
Financial auxiliaries	0.6	0.5	0.4	0.3	0.3
Public nonfinancial corporations	122.3	128.5	75.6	72.1	61.8
Other non-financial corporations	292.5	278.1	326.1	383.5	387.9
Households	1,206.1	1,373.4	1,535.4	1,658.7	1,750.6
Non-profit institutions	14.0	22.2	23.2	26.4	30.6
Nonresidents	79.1	60.0	81.7	83.4	82.1
Non-euro deposits	113.8	131.5	120.9	136.9	113.1
Total liabilities	1,944.5	2,113.9	2,283.7	2,451.0	2,539.4

Tab. 3 | Source: CBK – Non euro deposits at other depository corporations by original maturity

As seen from Table 3, the main part of deposits in the banking industry is comprised by household deposits, then other non-financial corporations, public non-financial corporations, non-resident deposits, insurance companies and so on. It is important to note that household deposits make up the majority of total deposits, i.e. more than the deposits of businesses and other public companies or non-governmental.

STRUCTURE OF DEPOSITS OF THE BANKING INDUSTRY (%)					
Description	2010	2011	2012	2013	2014
Government	0.6%	0.1%	0.0%	0.1%	0.3%
Other depository corporations	0.4%	0.5%	0.2%	0.1%	0.1%
Other financial intermediaries	0.4%	0.3%	0.3%	0.3%	0.2%
Insurance companies	2.4%	2.7%	2.8%	3.0%	3.1%
Pension funds	2.1%	2.0%	2.0%	0.2%	0.7%
Financial auxiliaries	0.0%	0.0%	0.0%	0.0%	0.0%
Public nonfinancial corporations	6.3%	6.1%	3.3%	2.9%	2.4%
Other non-financial corporations	15.0%	13.2%	14.3%	15.6%	15.3%
Households	62.0%	65.0%	67.2%	67.7%	68.9%
Non-profit institutions	0.7%	1.0%	1.0%	1.1%	1.2%
Nonresidents	4.1%	2.8%	3.6%	3.4%	3.2%
Non-euro deposits	5.9%	6.2%	5.3%	5.6%	4.5%
Total liabilities	100.0%	100.0%	100.0%	100.0%	100.0%

Tab. 4 | Source: CBK – Non euro deposits at other depository corporations by original maturity

Households' deposits during the comparative periods were not only dominated within total deposits, but they managed to increase their composition reaching 68.9% of total deposits. Other non-financial corporations have managed to keep the same composition throughout the comparative of five years. Deposits of insurance companies marked a slight and ongoing increase, while public non-financial corporation's declined in the composition of the total structure of deposits. All these movements can be seen in Table 4.

An important role in the overall structure of deposits is constituted by deposits denominated in foreign currencies and non-resident deposits which together constitute about 7.7% of total deposits.

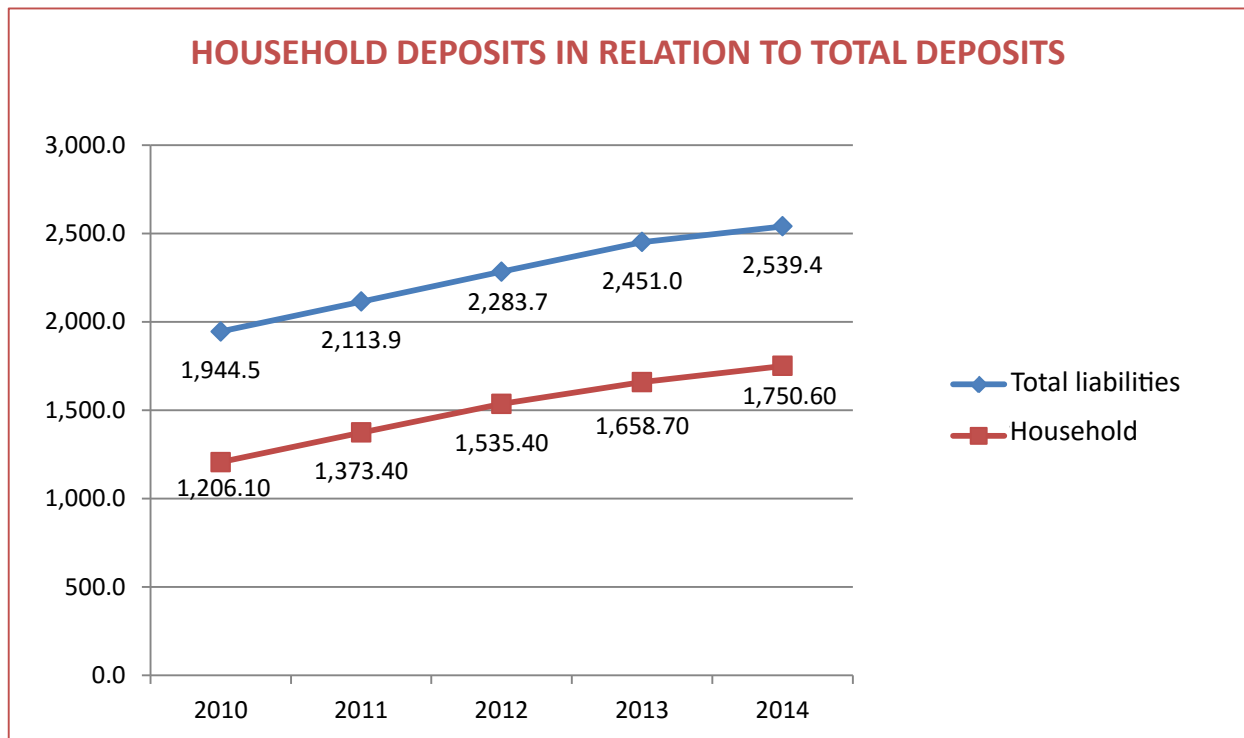


Fig. 4 | Source: CBK – Non euro deposits at other depository corporations by original maturity

In Figure 4 it can be seen that the growth of household deposits had the same trend with the increase of total deposits, thus becoming the main carrier of growth in total deposits.

STRUCTURE OF DEPOSITS BY MATURITY

Composition and structure of deposits in the banking industry has a great importance, since credit economic activities in the country are enabled through deposits. The longer term the deposits are in the banking industry, the longer term can the lending by the banking industry be, in order to keep the level of liquidity that the banking industry needs to repay its debts at any moment.

In Kosovo, the composition of deposits in terms of their maturity is scattered; hence, not concentrated only in current deposits which are deposited in bank checking accounts. Table 5 shows the values for the three categories of deposit composition in the banking industry. Within this structure, banking industry deposits in foreign denominations are not included.



STRUCTURE OF DEPOSITS OF THE BANKING INDUSTRY BY MATURITY

Description	Million euro*				
	2010	2011	2012	2013	2014
Transferable deposits	625.9	643.5	696.4	825.0	1,122.7
Savings deposits	315.0	315.1	326.6	373.8	513.0
Term deposits	889.9	1,023.8	1,139.8	1,115.3	790.5
Total liabilities	1,830.8	1,982.4	2,162.8	2,314.1	2,426.3

Tab. 5 | Source: CBK – Deposits at Other Depository Corporations by original maturity

The largest share of deposits is comprised of transferable deposits at the end of 2014. The second in the ranking are term deposits, while savings deposits are the last within the three categories. During five comparative periods, it is noted that the value of transferable deposits has increased in the composition of total deposits, while term deposits have marked a decrease.

STRUCTURE OF DEPOSITS OF THE BANKING INDUSTRY BY MATURITY (%)

Description	2010	2011	2012	2013	2014
Transferable deposits	34.2%	32.5%	32.2%	35.7%	46.3%
Savings deposits	17.2%	15.9%	15.1%	16.2%	21.1%
Term deposits	48.6%	51.6%	52.7%	48.2%	32.6%
Total liabilities	100.0%	100.0%	100.0%	100.0%	100.0%

Tab. 6 | Source: CBK – Deposits at Other Depository Corporations by original maturity

From Table 6, it can be seen that a continuous increase in the composition of total deposits was recorded in transferable and savings deposits, whereas term deposits constituted over half of total deposits during 2011 and 2012, while in the past two years they have significantly declined.

Despite this recent change in the maturity composition of total deposits, it can be noted that the banking industry has a different composition of deposits through which enables lending in Kosovo's economy on longer-term plans.

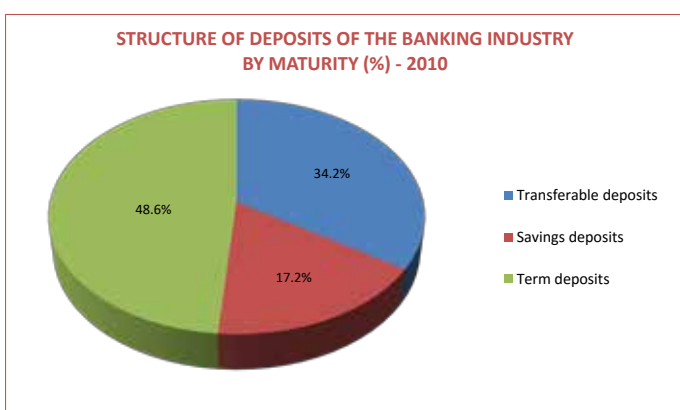


Fig. 5 | Source: CBK – Deposits at Other Depository Corporations by original maturity

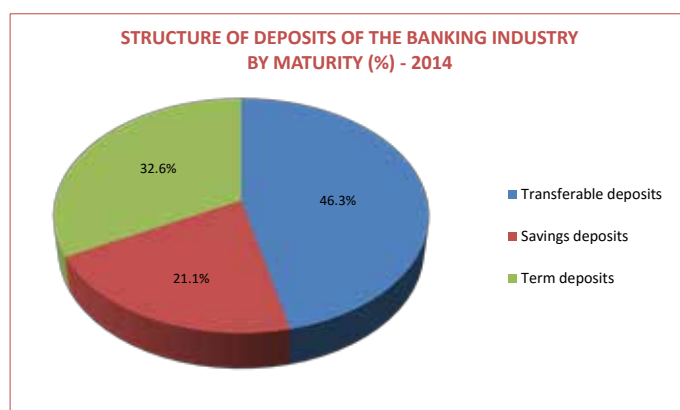


Fig. 6 | Source: CBK – Deposits at Other Depository Corporations by original maturity

This movement of the composition of deposits by maturity can be seen from the presented figures 5 and 6, where in late 2014 transferable deposits are dominant deposits within the three separate categories according to their maturity.

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BANKING PERIODIC - APRIL 2015

BANKING INDUSTRY - STATISTICS ON INTERBANK TRANSACTIONS

THE NUMBER AND VALUE OF TRANSACTIONS IN THE BANKING INDUSTRY IN KOSOVO

Besides continued growth of main values in the banking industry's balance sheet and income statement, the banking industry has recorded significant growth in the number and value of transactions. In the two following tables that data may be seen.



NUMBER OF TRANSACTIONS						
No.	Type of transaction	2010	2011	2012	2013	2014
1	Regular	615,700	727,668	833,409	970,717	1,032,043
2	Priority	15,145	18,657	22,300	24,812	26,079
3	Massive Regular	2,872,234	2,937,845	2,916,145	3,294,677	3,731,436
4	Massive Priority	2,021	2,091	3,873	1,797,330	3,233,049
5	Giro Payments	419,329	496,197	543,338	692,281	1,013,620
6	Securities	0	0	309	498	618
7	Direct Debit	3,303	7,321	10,304	13,115	14,582
8	Total	3,927,732	4,189,799	4,329,678	6,793,430	9,051,427

Tab. 1 | Source: CBK – Monthly report on cash & noncash instruments

Table 1 shows the number and type of transactions conducted through the banking industry. If the difference between 2010 and 2014 is compared, we can see that the total number of transactions has been doubled. Within the total number of transactions at the end of 2014, their main part is composed of massive regular transactions with 41.2%, followed by massive priority transactions with 35.7%, regular with 11.4%, and so on.

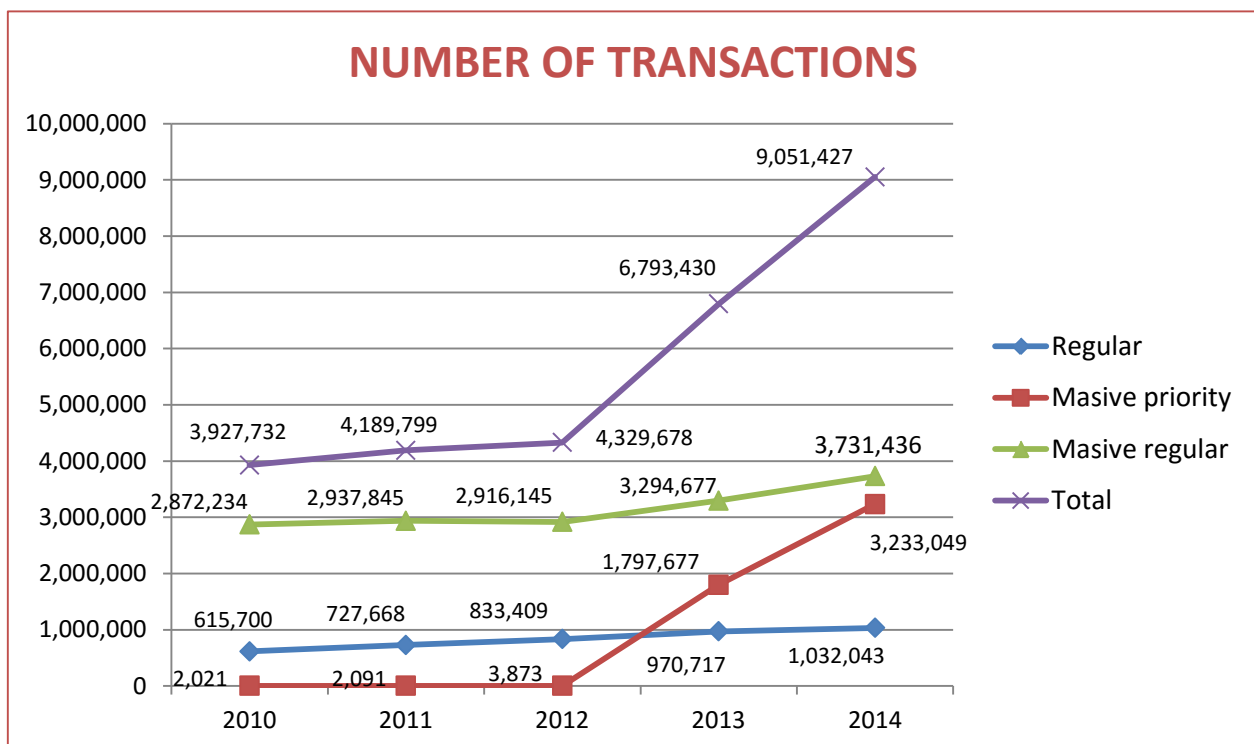


Fig. 1 | Source: CBK – Monthly report on cash & noncash instruments

From figure 2, it can be seen that a significant increase within the total number of transactions has been marked mainly in the last two years, i.e. during 2013 and 2014. This trend of growth in the last two years can be observed in almost all types of transactions.

THE VALUE OF TRANSACTIONS (million Euro)						
No.	Type of transaction	2010	2011	2012	2013	2014
1	Regular	2,949,927,889	3,089,861,522	3,161,880,010	3,319,527,253	3,329,886,961
2	Priority	568,863,646	652,651,299	893,490,615	768,577,986	666,722,026
3	Massive Regular	402,854,278	465,187,793	470,361,458	531,795,573	536,499,429
4	Massive Priority	1,386,264	1,434,815	2,397,909	374,517,269	645,334,638
5	Giro Payments	734,367,963	871,170,119	892,130,913	899,986,956	949,316,256
6	Securities			252,653,198	534,011,408	695,370,096
7	Direct Debit	2,807,939	6,252,067	8,043,429	6,763,903	7,182,931
8	Total	4,660,207,982	5,086,557,617	5,680,957,532	6,435,180,348	6,830,312,337

Tab. 2 | Source: CBK – Monthly report on cash & noncash instruments

As the number of transactions has increased, their value in the banking industry for all types has also increased. The growth of these values can be seen from Table 2 presented. In comparison to 2010, the value of all transactions increased by 46.5% at the end of 2014. Within the total value of transactions at the end of 2014, the largest values were marked by regular transactions which constitute 48.7% of total value of transactions, followed by the value of Giro payments, securities and so on.

The increase of numbers and values of transactions in the banking industry shows that citizens of Kosovo have great trust in this industry, where more of their payments are channeled through the banking industry. Furthermore, this industry is also used as a tool to document any payments that customers make on behalf of their obligations.

NUMBER OF TERMINALS, CARDS AND E-BANKING ACCOUNTS

For clients of the banking industry, electronic payment instruments are more required, since they enable the fulfillment of payments whenever they need, regardless of the time and working schedule, enabling the usage of this service during twenty-four hours. For this reason their use is growing increasingly, as can be seen in the presented Table 3.

NUMBER OF BANK CARDS									
No.	Cards by function	2013				2014			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
I.	Cards with a cash function	670,871	702,238	730,812	754,380	731,442	750,878	813,199	813,026
II.	Cards with a payment function of which:	679,017	702,238	730,812	754,380	731,442	750,878	798,996	799,742
	1 - Cards with a debit function	581,674	602,899	628,173	645,048	618,926	633,635	679,465	678,090
	2 - Cards with a credit function	97,343	99,339	102,639	109,332	112,516	117,243	119,531	121,652
III.	Cards with an e-money function	13,318	13,589	13,589	15,017	15,125	14,203	14,203	13,284
IV.	Total number of cards	692,335	715,827	744,401	769,397	746,567	765,081	813,119	813,026

Tab. 3 | Source: CBK – Monthly report on cash & noncash instruments

At the end of 2014 the number of bank cards reached 813,026; of which 83.4% have a debit card function, 14.9% with a credit card function and 1.6% with electronic money function.

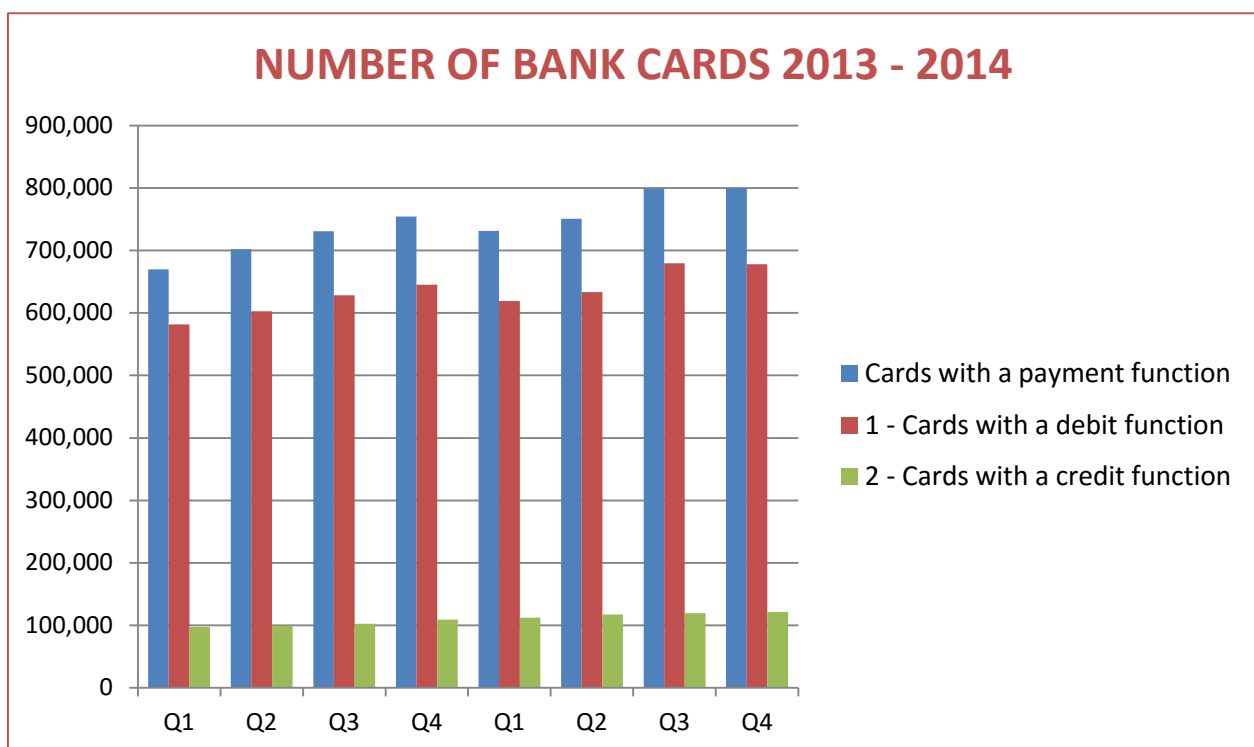


Fig. 2 | Source: CBK – Monthly report on cash & noncash instruments

The banking industry has a relatively good infrastructure of terminals created and distributed throughout the territory of the Republic of Kosovo, through which such transactions are carried out using bank cards. Table 4 shows this infrastructure over the years on the number of points of sale and ATMs.

NUMBER OF TERMINALS FOR CARDS AND ELECTRONIC MONEY							
No.	Terminals by function	2009	2010	2011	2012	2013	2014
I.	Automated Teller Machines (ATM) of which:	339	415	460	483	496	498
	1 - ATMs with a cash withdrawal function	339	415	460	483	496	498
	2 - ATMs with a credit transfer function of which:	122	141	147	145	148	50
	a - ATM with Kos Giro payment function	N/A	39	69	73	70	50
	3 - ATMs with a deposit function	0	0	1	1	8	13
II.	POS Terminals (Point of Sale) of which:	5,251	6,194	7,534	8,592	9,071	9,349
	1 - POS terminals with a cash withdrawal function	221	212	1,376	220	215	220
	2 - EFTPOS terminals	5,223	5,930	6,320	8,499	8,856	9,179
III.	Virtual POS terminals for card payments	0	0	0	0	0	7
IV.	E-money card terminals	0	0	0	0	0	0

Tab. 4 | Source: CBK – Monthly report on cash & noncash instruments

Compared to 2009, at the end of 2014 the banking industry increased by 46.9% in the number of ATMs. It is important to note that the banking industry, except for the possibility of withdrawal of cash has created the opportunity to perform various payments through ATMs, such as Giro payments, mobile payments, cash deposits, etc.

In the banking industry, besides increasing the number of ATMs, the number of Points of Sale has also increased. This can be seen from Table 4 and Figure 3.

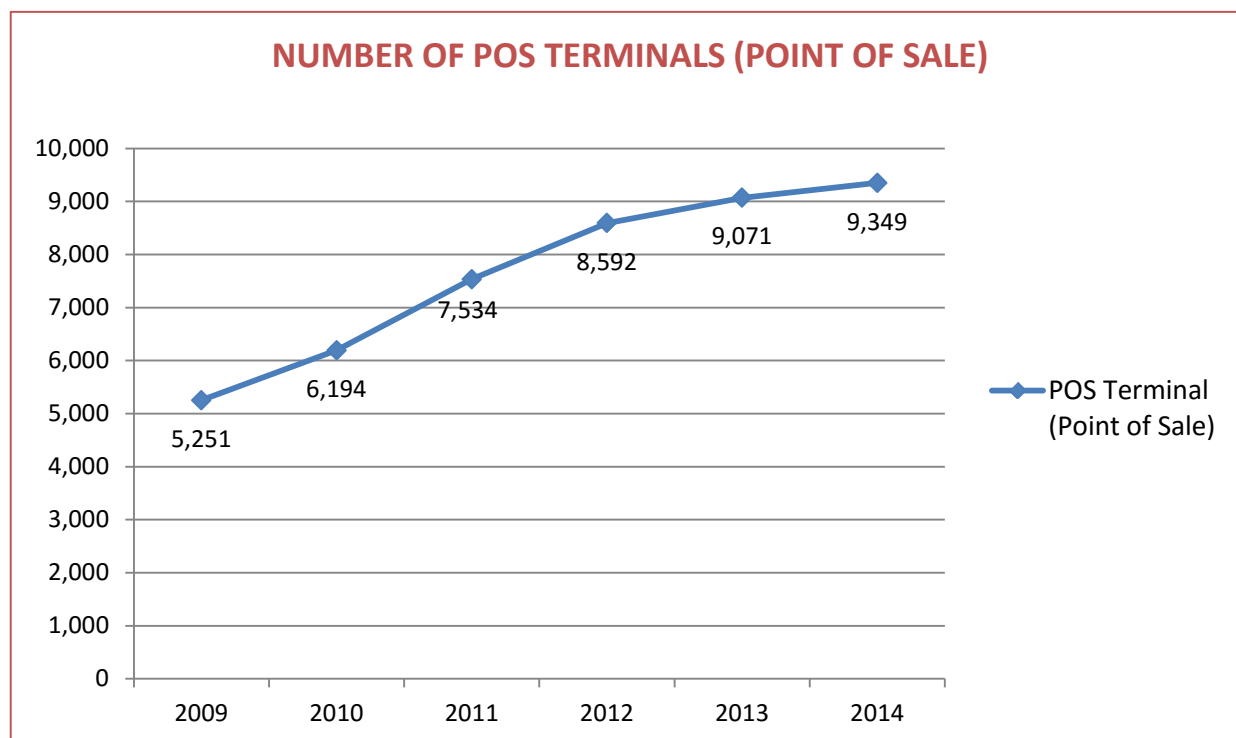


Fig. 3 | Source: CBK – Monthly report on cash & noncash instruments

Compared to 2009, at the end of 2014 the banking industry increased by 78.0% for the number of points of sale or an additional 4,098 POS terminals.

NUMBER OF E-BANKING ACCOUNTS							
No.	Description	2009 Total	2010 Total	2011 Total	2012 Total	2013 Total	2014 Total
1.	E- Banking accounts	40,924	55,292	68,990	97,089	131,365	157,761

Tab. 5 | Burimi: BQK – Raporti tremujor mbi instrumentet cash dhe jocash

A more significant increase in their number has marked E-banking accounts. Compared to 2009, the number of e-banking accounts increased by 285% at the end of 2014.

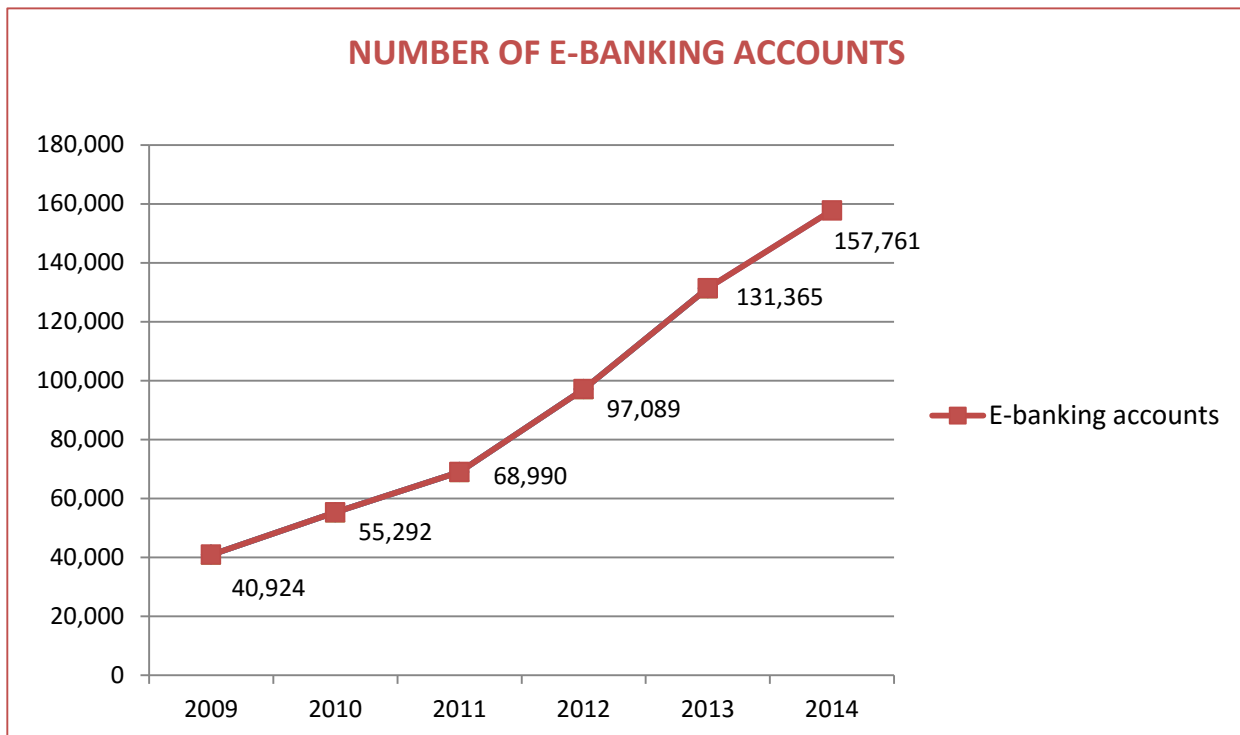
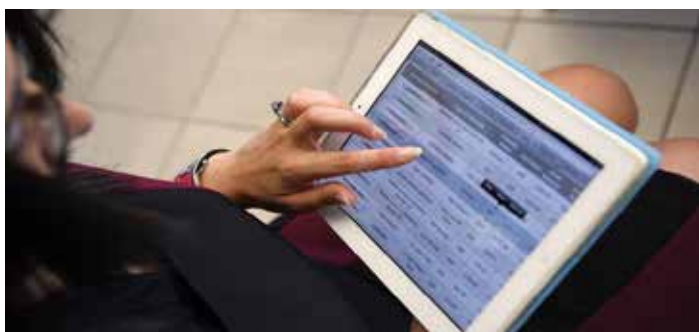


Fig. 4 | Source: CBK – Quarterly report on cash & noncash instruments



The increase in the number of e-banking accounts is in proportion with the increase in the number and value of transactions executed by this payment instrument, a value which will be addressed below.

VALUE AND NUMBER OF CARD AND E-BANKING TRANSACTIONS IN THE BANKING INDUSTRY

Table 6 and 7 shows that the year 2014 compared to 2013 increased both in number and value of transactions. The year 2014 had 12.2% more card transactions than 2013, 7.3% number of transactions in cash withdrawals at ATMs and 25.5% more payments with cards at the point of sales terminals.

NUMBER OF CARD TRANSACTIONS THROUGH TERMINALS											
Nr.	Description	2013				Total	2014				Total
		Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4	
I.	Total number of transactions with cards of which:	3,029,903	3,264,376	3,44,217	3,390,578	13,129,074	3,324,599	3,617,691	3,874,485	3,917,414	14,734,189
	1 - ATM cash withdrawals	2,120,630	2,294,325	2,436,798	2,399,759	9,251,512	2,245,689	2,478,440	2,640,917	2,561,090	9,926,136
	2 - ATM deposits	912	1,252	1,580	1,570	5,314	3,527	4,591	5,553	14,053	27,724
	3 - ATM credit transfers	29,656	29,276	26,031	23,345	108,308	18,770	18,890	17,690	14,810	70,160
	4 - POS terminal cash withdrawals	3,964	3,995	10,195	3,810	21,964	4,011	4,191	3,865	1,266	13,333
	5 - Card payments at POS terminals	874,741	935,528	969,613	962,094	3,741,976	1,052,602	1,111,579	1,206,460	1,326,195	4,696,836

Tab. 6 | Source: CBK – Monthly report on cash & noncash instruments

Table 7 noted that compared to 2013, the value of card transactions at the end of 2014 grew by 9.2%, cash withdrawals by 6.4%, while payments with cards at the point of sales terminals by 24.0%.

VALUE OF CARD TRANSACTIONS THROUGH TERMINALS											
No.	Description	2013				Total	2014				Total
		Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4	
I.	Total number of transactions with cards of which:	233,886,942	273,476,662	356,068,883	292,017,218	1,155,449,704	261,206,247	303,438,700	358,981,323	338,606,328	1,262,232,598
	1 - ATM cash withdrawals	2,120,630	2,94,325	2,436,798	2,399,759	9,251,512	2,245,689	2,478,440	2,640,917	2,561,090	9,926,136
	2 - ATM deposits	912	1,252	1,580	1,570	5,314	3,527	4,591	5,533	14,053	27,724
	3 - ATM credit transfers	29,656	29,276	26,031	23,345	108,308	18,770	18,890	17,690	14,810	70,160
	4 - POS terminal cash withdrawals	3,964	3,995	10,195	3,810	21,964	4,011	4,191	3,865	1,266	13,333
	5 - Card payments at POS terminals	874,741	935,528	969,913	962,094	3,741,976	1,052,602	1,111,579	1,206,460	1,326,195	4,696,836

Tab. 7 | Source: CBK – Monthly report on cash & noncash instruments

The number and value of transactions carried out through e-banking are also increasing. This increase can be seen from the presented Table 8, where values have been multiplied. Only within a year, the number of transactions compared to 2013 increased by 49.5%, while the value of transactions increased by 58%.

NUMBER AND VALUE OF TRANSACTIONS THROUGH E-BANKING							
No.	Description	2009	2010	2011	2012	2013	2014
		Total	Total	Total	Total	Total	Total
1.	Number of transactions	228,886	318,375	424,273	625,762	1,056,655	1,579,838
2.	Value of transactions	607,305,817	782,383,357	1,218,089,663	1,499,093,438	2,671,011,546	4,220,405,696

Tab. 8 | Source: CBK – Monthly report on cash & noncash instruments

If these values are compared to previous periods, i.e. from 2009 to 2014, the number and value of e-banking transactions almost seven folded.

All data and statistics shown above, show that the banking industry is being oriented more towards the use of electronic payment instruments, i.e. toward automation of products and services that do not require the physical presence of bank employees. These services are compatible with contemporary developments that offer twenty-four hour services, without interruption, regardless of hours and time, at the same time offering safety and accuracy during their use. These are the main reasons why electronic payment instruments have been supported and have shown significant increase in their use.

INCOME FROM FEES IN RELATION TO THE NUMBER OF TRANSACTIONS

Despite significant growth in numbers and total value of transactions within the banking industry in the past two years, as seen in Table 9 and 10 in the last two years, where the number of transactions increased by 56.9% in 2013 and 33.2 % in 2014, income from non-interest, which includes income from fees and commissions, remained roughly the same.

THE NUMBER AND VALUE OF TRANSACTIONS AS WELL AS NON-INTEREST INCOME						
		2010	2011	2012	2013	2014
No.	Description	Total	Total	Total	Total	Total
1.	Number of transactions	3,927,732	4,189,799	4,329,678	6,793,430	9,051,427
2.	Value of transactions	4,660,207,982	5,086,557,617	5,680,957,532	1,499,093,438	6,830,312,337
3.	Non-interest income (mil. Euro)	41	45	47	50	48

Tab. 9 | Source: CBK – Income statement of other depository corporations and monthly report on cash and non cash instruments

In 2014, non-interest income declined by 3.6%, despite the increase in the number and value of transactions during the year. This shows that the banking industry has significantly reduced fees from transactions, as this income has been fairly consistent over the years, despite continued growth in the number and value of transactions.

THE UPWARD TREND OF THE NUMBER AND VALUE OF TRANSACTIONS AND THE TREND OF NON-INTEREST INCOME					
		2011	2012	2013	2014
No.	Description	Total	Total	Total	Total
1.	Number of transactions	6.7%	3.3%	56.9%	33.2%
2.	Value of transactions	9.1%	11.7%	13.3%	6.1%
3.	Non-interest income	8.6%	3.5%	6.4%	-3.6%

Tab. 10 | Source: CBK – Income Statement of ODC and the monthly report on cash and non cash instruments

The banking industry is investing heavily in technology, through which it enables transactions executed through electronic payment instruments, by stimulating clients through lowering fees for those who use these instruments.

The strategy followed by the banking industry of Kosovo is in accordance with the national strategy of payments compiled by the Central Bank of Kosovo, which aims at further advancement of electronic products and services, in order to minimize the use of cash, thus contributing directly in reducing the informal economy and reducing many other risks that may result from the use of cash.

PAYMENT INSTRUMENTS COMPARED WITH SOUTH EASTERN EUROPEAN COUNTRIES

Kosovo's banking industry has managed to develop in recent years and be comparable with other countries in the region and further, taking into account the circumstances in which the banking industry and business situation developed in Kosovo, considering the list of doing business by the World Bank. Table 11 gives an overview on payment terminals and payment instruments and their comparison with other countries.

COMPARATIVE TABLE OF PAYMENT INSTRUMENTS WITH SOUTH EASTERN EUROPEAN COUNTRIES IN 2013													
No.	Description	Kosovo	Albania	Montenegro	Macedonia	Bosnia	Serbia	Croatia	Slovenia	Czech R.	Turkey	Bulgaria	Hungary
1	Population	1.8	2.89	0.62	2.06	3.84	7.18	4.26	2.06	10.52	75.63	7.28	9.91
2	ATM	496	822	334	930	1,368	2,673	4,123	1,775	4,399	42,011	5,848	4,830
-	ATM (per 1 million people)	273	284	539	451	356	372	968	862	418	555	803	487
-	ATM (per 100 km ²)	5	3	2	4	3	3	7	9	6	5	5	5
3	POS	9,071	5,668	11,111	37,167	20,402	59,822	92,221	35,594	95,723	2,293,695	70,752	90,795
-	POS (per 1 million people)	4,984	1,961	17,921	18,042	5,313	8,332	21,648	17,279	9,099	30,328	9,719	9,162
-	POS (per 100 km ²)	83	20	80	145	40	77	163	176	121	293	64	98
4	Credit cards	109,332	64,432	49,289	313,365	209,059	955,221	360,131	112,579	1,609,673	56,835,221	802,306	1,351,026
-	Credit cards (per 1 million people)	60,073	22,295	79,498	152,119	54,442	133,039	84,650	54,650	153,011	751,490	110,207	136,330
5	Debit cards	645,048	741,128	347,572	1,188,947	1,562,277	5,133,080	6,798,984	2,530,183	8,777,337	100,164,954	6,934,154	7,595,444
-	Debit cards (per 1 million people)	354,422	256,446	560,600	577,159	406,843	714,914	1,596,006	1,228,244	834,348	1,324,408	952,494	766,442
6	Number of e-banking accounts	131,365	113,930	48,215	468,097	122,522	-	-	-	-	-	-	-
-	E-banking (per 1 million people)	72,179	39,422	77,766	227,232	31,907	-	-	-	-	-	-	-

Tab. 11 | Source: CBK – Annual Report on Payment Instruments

If we consider the number of population and territorial area which we live in, we can see that the banking industry in Kosovo in many of these instruments is ahead of Albania and comparable to many of the countries in the region. However if we take into account the trend expressed as a percentage of the increased usage of electronic payment instruments in Kosovo, especially in the last two years, which were addressed in this publication above, we can say that Kosovo is in a satisfactory level in terms of providing infrastructure on electronic products and services.

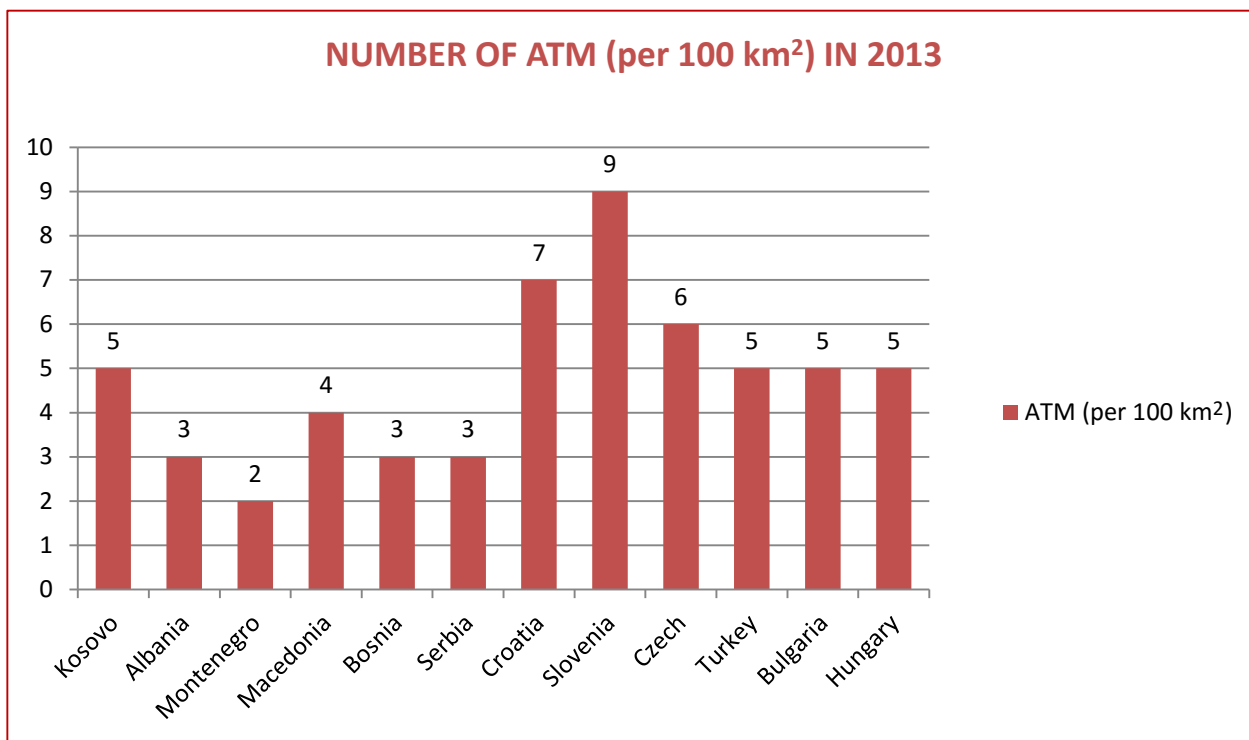


Fig. 5 | Source: CBK – Annual Report on Payment Instruments

Figure 5 shows the number of ATMs located in an area of 100 km², through which it is understandable that Kosovo is comparable to all the states taken for comparison, even surpassing half of these countries.

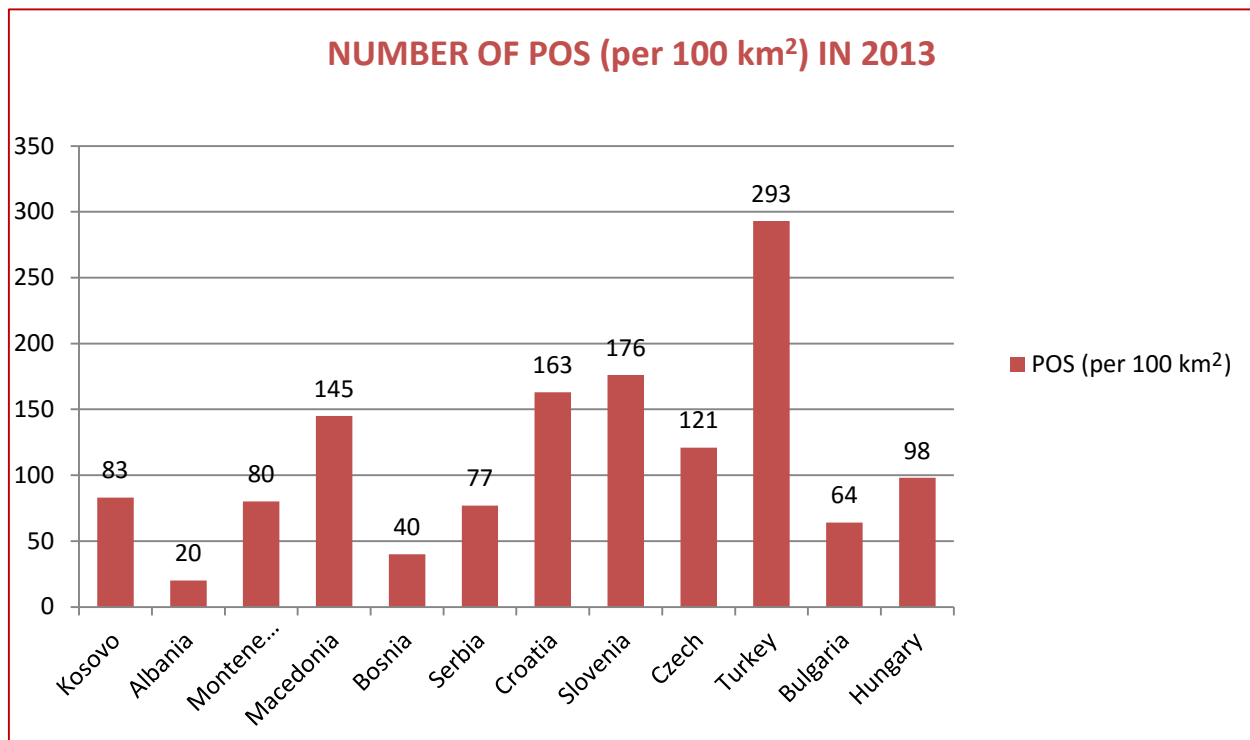


Fig. 6 | Source: CBK – Annual Report on Payment Instruments

The banking industry in Kosovo is not inferior in relation to the distribution of point of sale terminals (POS), and Figure 6 shows that Kosovo is ahead of five countries and is comparable to other countries that exceed this average. It is known that the distribution and use of POS depends very much on the development of businesses in Kosovo which agree to the deployment of terminals in their points, which means that the credit belongs to all business industries in the country.

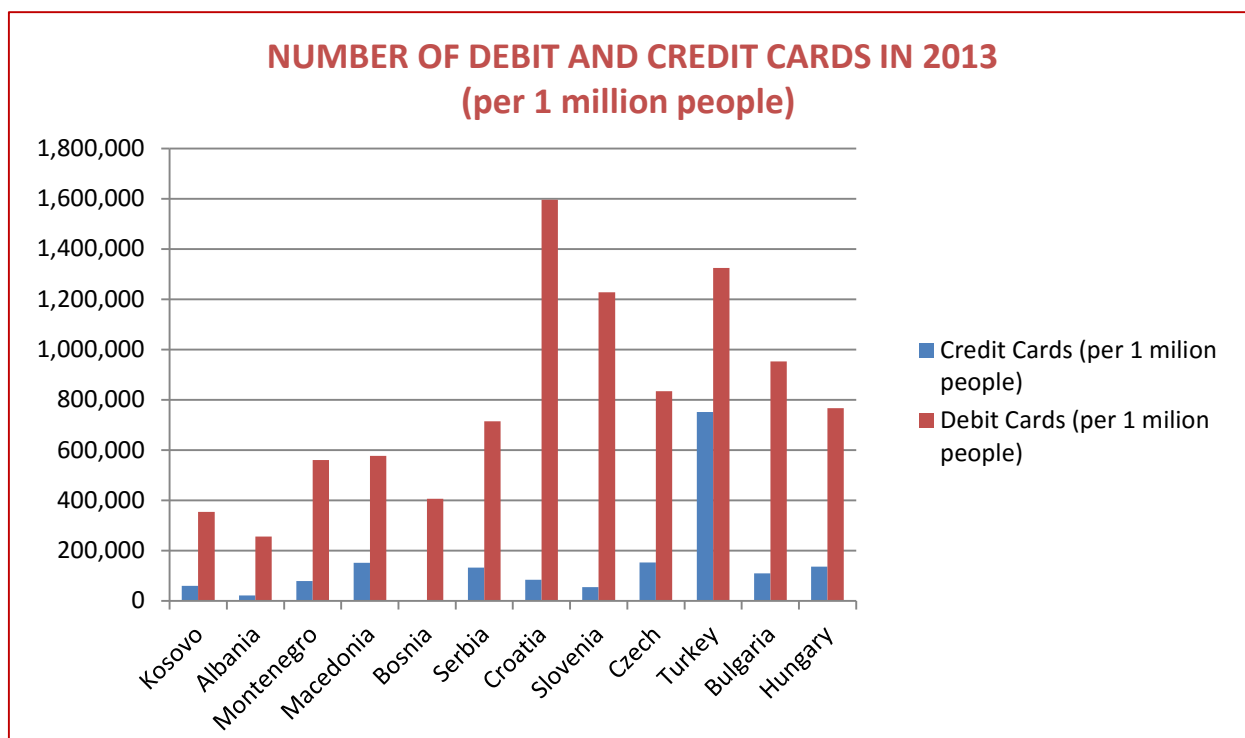


Fig. 7 | Source: CBK – Annual Report on Payment Instruments

As for the use of bank cards, Kosovo is ahead of Albania for 1 million people, while is beneath other countries that were taken into account for comparison.

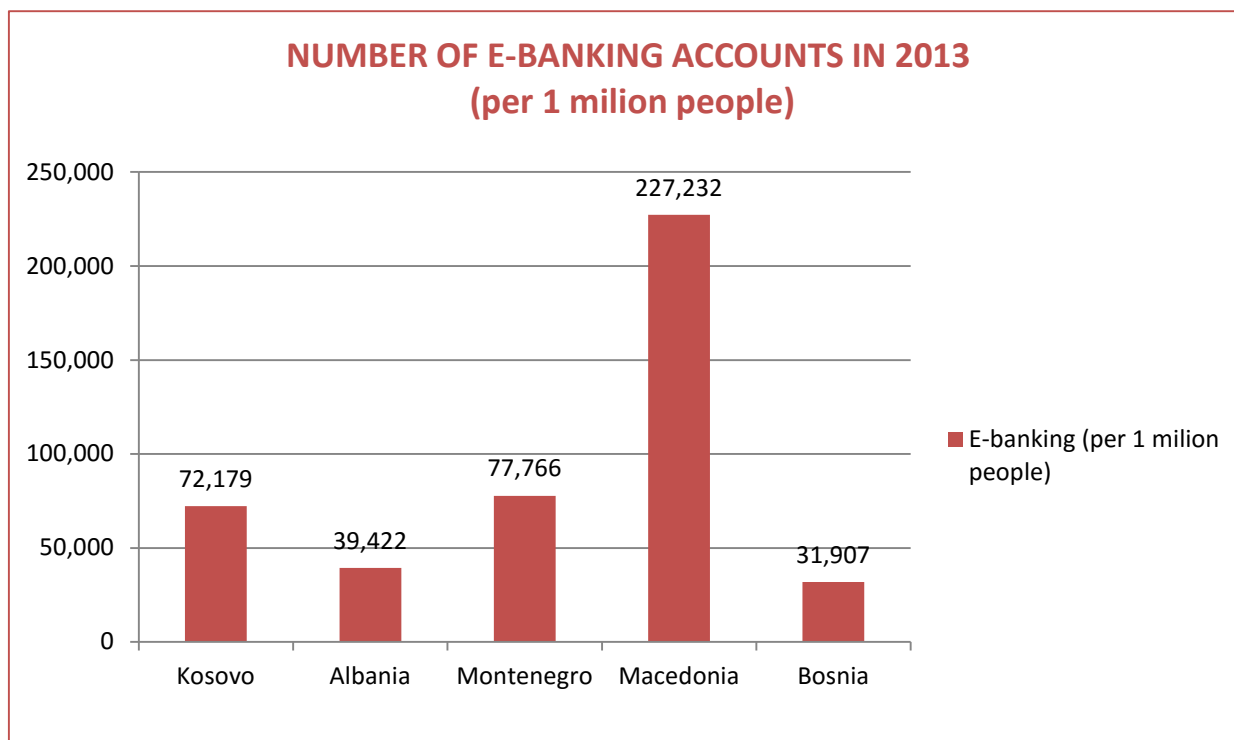


Fig. 8 | Source: CBK – Annual Report on Payment Instruments

E-banking in Kosovo is an electronic payment instrument which has marked the greatest increase and if this growth trend continues, very soon we would expect, on average to be in a very good level in comparison to countries in the region. In Figure 8 it can be seen that the number of e-banking accounts for a million people is greater than in Albania and Bosnia, while it is not far from the average of Montenegro.

Based on the data presented on the use of electronic payment instruments for different countries, we can conclude that Kosovo is in the right direction and is comparable to many of the region's banking industry infrastructure.

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BANKING PERIODIC - MAY 2015

MAIN ECONOMIC INDICATORS IN THE WESTERN BALKAN COUNTRIES

GROSS DOMESTIC PRODUCT



Gross domestic product is an economic indicator which shows the value through market prices of all goods and services produced within a country in a given period of time. Usually this period is annual. Gross domestic product is one of the main macroeconomic indicators to measure economic growth.

It can be calculated in three ways: calculation by production, income and by expenditure, which give the same result. The calculation by production which is the most direct method involving the fair market value of all final goods and services accounted for over a year.

GROSS DOMESTIC PRODUCT							GDP (US\$)
Country	2008	2009	2010	2011	2012	2013	
Albania	12,881,353,508	12,044,208,086	11,926,957,255	12,890,866,743	12,344,529,628	12,923,240,278	
Bosnia and Herzegovina	18,711,890,354	17,264,893,103	16,847,493,059	18,318,439,121	16,906,005,781	17,851,326,454	
Croatia	70,461,454,280	62,636,688,809	59,643,818,182	62,241,414,803	56,479,515,972	57,868,674,298	
Kosova	5,687,488,209	5,653,860,934	5,830,320,265	6,692,502,502	6,499,938,584	7,071,959,241	
Macedonia	9,834,034,351	9,313,573,965	9,338,674,078	10,395,222,334	9,576,482,628	10,195,404,131	
Montenegro	4,538,345,345	4,158,135,026	4,114,881,347	4,501,753,898	4,045,813,953	4,416,083,090	
Serbia	49,259,526,053	42,616,653,300	39,368,633,038	46,462,547,041	40,791,444,603	45,519,650,911	

Tab. 1 | Source: World Bank– GDP

As seen in Table 1, Kosovo has the lowest gross domestic product after Montenegro and is among the states with medium to small income. What is important to mention is that Kosovo has marked continuous growth in the total value of gross production in all comparative years.

Croatia as the new member of the European Union has the highest value of gross production, while Serbia is ranked second within the countries of the western Balkans.

ANNUAL GROWTH OF GROSS DOMESTIC PRODUCT						
Country	2008	2009	2010	2011	2012	2013
Albania	7.54%	3.35%	3.71%	2.55%	1.62%	1.42%
Bosnia and Herzegovina	5.42%	-2.91%	0.70%	0.96%	-1.21%	2.48%
Croatia	2.05%	-7.38%	-1.70%	-0.28%	-2.19%	-0.94%
Kosova	3.60%	3.30%	4.40%	2.80%	3.40%	3.00%
Macedonia	4.95%	-0.92%	2.90%	2.80%	-0.40%	3.10%
Montenegro	6.92%	-5.66%	2.46%	3.23%	-2.55%	3.34%
Serbia	5.37%	-3.12%	0.58%	1.40%	-1.02%	2.60%

Tab. 2 | Source: World Bank– GDP growth

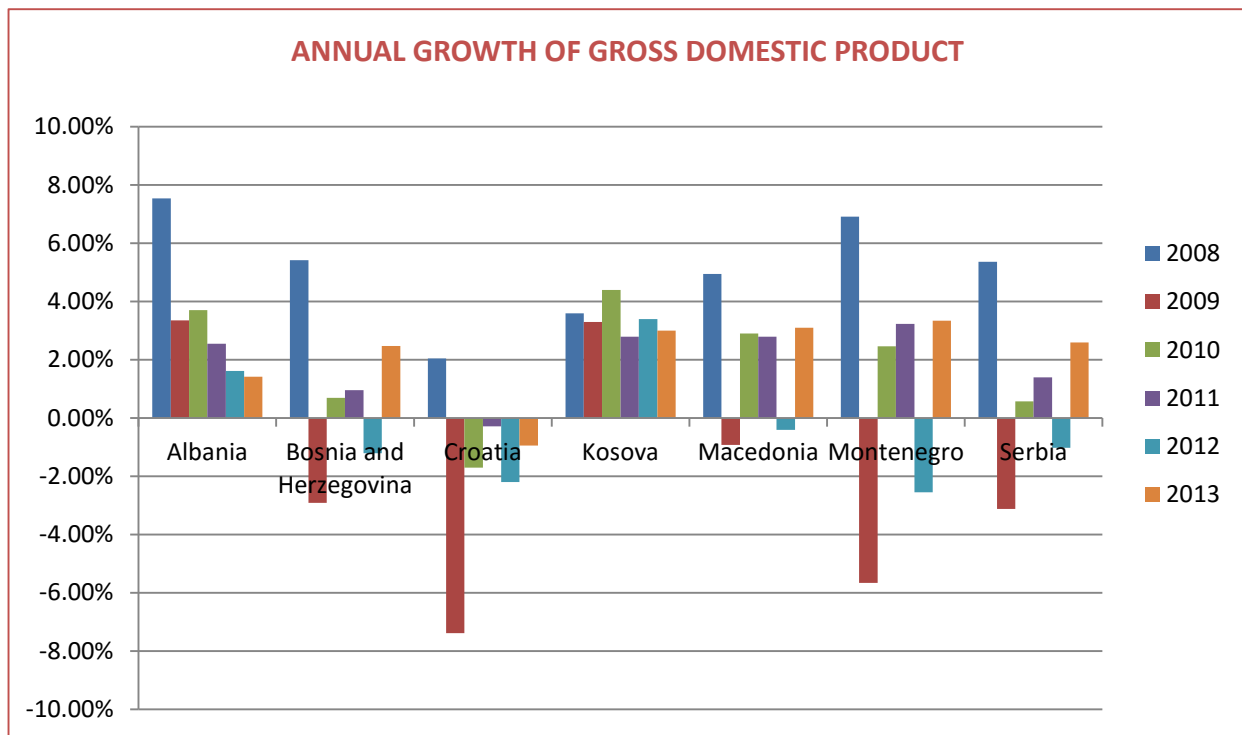


Fig. 1 | Source: World Bank– GDP growth

In the years taken as the basis of comparison in Figure 1 and Table 2 it is seen that only Albania and Kosovo have marked a continuous positive growth of the gross domestic product, while other countries in certain years marked negative values. Although Croatia is the state with the greatest gross production in the western Balkans, in the last five years it has marked negative values.

GROSS DOMESTIC PRODUCT PER CAPITA						GDP (US\$)
Country	2008	2009	2010	2011	2012	2013
Albania	4,370.54	4,114.13	4,094.36	4,437.81	4,256.02	4,460.34
Bosnia and Herzegovina	4,846.13	4,480.38	4,380.60	4,771.27	4,409.59	4,661.76
Croatia	15,889.35	14,142.15	13,500.85	14,540.27	13,234.62	13,597.92
Kosova	3,254.86	3,209.73	3,283.43	3,736.83	3,596.88	3,877.17
Macedonia	4,685.62	4,433.86	4,442.30	4,940.95	4,548.16	4,838.46
Montenegro	7,335.90	6,713.08	6,636.07	7,253.36	6,514.15	7,106.86
Serbia	6,701.77	5,821.31	5,399.30	6,422.71	5,666.20	6,353.83

Tab. 3 | Source: World Bank– GDP per capita

Also, based on the average per capita value of gross domestic product, Kosovo has the smallest value, though not far from Albania, Bosnia and Herzegovina or Macedonia. In this comparison, Croatia is the first, while Montenegro is ranked second in the region with the highest average per capita, followed in ranking by Serbia, Macedonia and so on.

INFLATION, UNEMPLOYMENT AND DOING BUSINESS

Inflation represents the increase of money supply in circulation in a given economy within a given period of time. One of the effects that can be associated with inflation is the rise of prices of goods and services. In short, this means the devaluation of assets when with a certain amount of money less products or services can be purchased than before the devaluation. Its opposite phenomenon is deflation.

Because of global economic effects greater than ever and because Kosovo does not have its monetary unit through which could implement its monetary policies, Kosovo cannot do as much in the decrease or increase of this inflation, as its official currency is the euro and trends are more or less dictated by Europe with minor changes.



INFLATION ACCORDING TO CONSUMER PRICES							
Country	2008	2009	2010	2011	2012	2013	2014
Albania	3.36%	2.28%	3.55%	3.45%	2.03%	1.94%	1.63%
Bosnia and Herzegovina	7.42%	-0.39%	2.19%	3.68%	2.05%	-0.09%	-0.93%
Croatia	6.09%	2.40%	1.04%	2.25%	3.42%	2.21%	-0.21%
Kosova	9.35%	-2.41%	3.48%	7.34%	2.48%	1.76%	0.43%
Macedonia	8.33%	-0.74%	1.51%	3.90%	3.32%	2.78%	-0.28%
Montenegro	8.76%	3.47%	0.65%	3.45%	4.15%	2.21%	-0.71%
Serbia	12.41%	8.12%	6.14%	11.14%	7.33%	7.69%	2.08%

Tab. 4 | Source: World Bank– Inflation, consumer prices

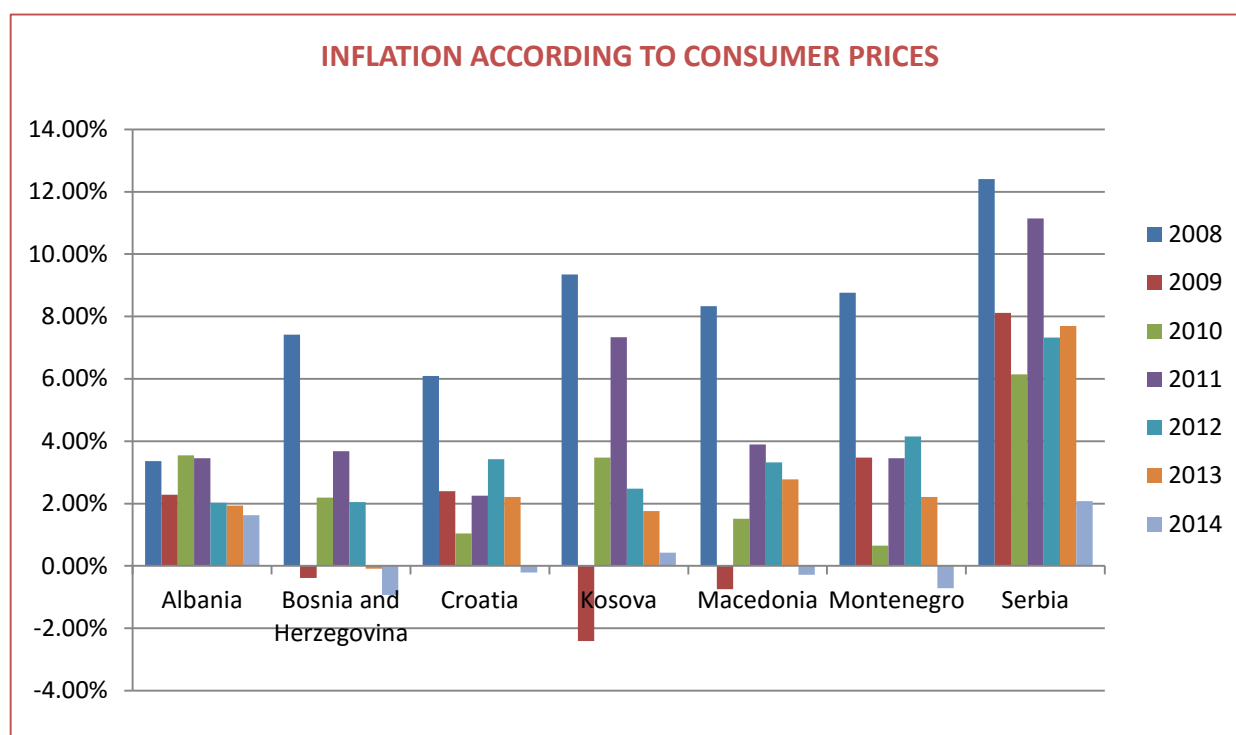


Fig. 2 | Source: World Bank– Inflation, consumer prices



In Table 4 and Figure 2 we can see that in the Western Balkan countries the inflation rate trends have been roughly the same with some minor differences depending on the country. In this comparison we can see that Serbia had the greatest movements of the inflation rate over the past years. In comparative years, Kosovo had the highest rate in 2008, while it has stabilized in the last three years.

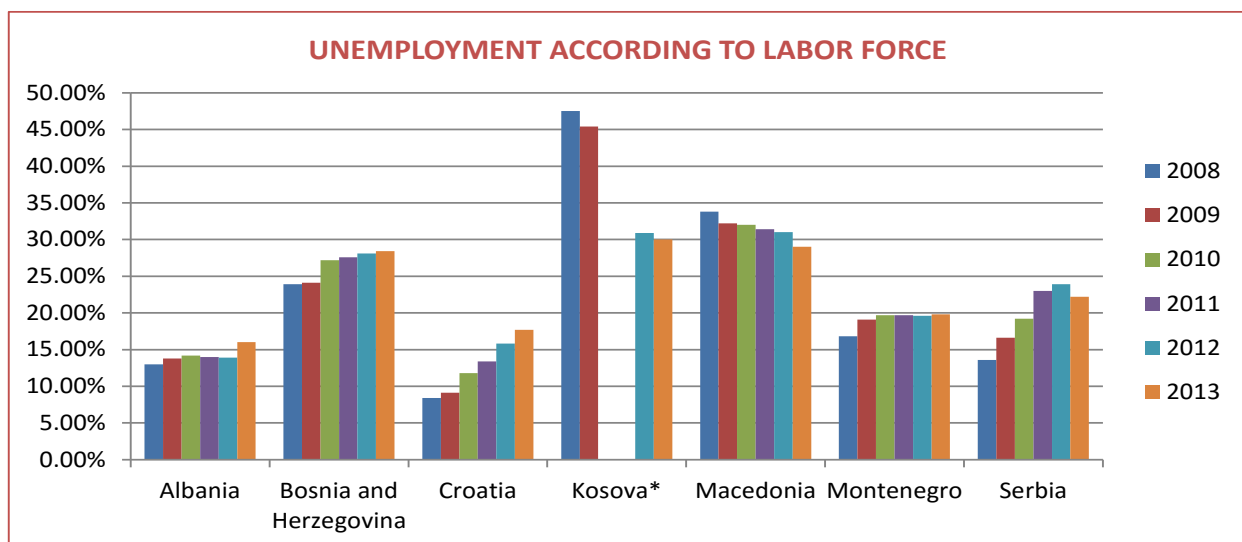
In general, due to the global impact of major economies in Europe and the world, we can see that the western Balkan countries are affected by these trends, especially in 2008 at the time of the global economic crisis.

Unemployment represents one of the country's macroeconomic problems. The consequences of the high number of unemployment can be the decline in gross domestic product, the decline in family income, or the worsening of poverty. Unemployment is the number of the working age population between 16-65 years, subtracting the number of those who are not active and who are not regarded as labor force, while the estimated difference between those considered as labor force within this age in relation to the number of the unemployed.

UNEMPLOYMENT ACCORDING TO LABOR FORCE						
Country	2008	2009	2010	2011	2012	2013
Albania	13.0%	13.8%	14.2%	14.0%	13.9%	16.0%
Bosnia and Herzegovina	23.9%	24.1%	27.2%	27.6%	28.1%	28.4%
Croatia	8.4%	9.1%	11.8%	13.4%	15.8%	17.7%
Kosova*	47.5%	45.4%			30.9%	30.0%
Macedonia	33.8%	32.2%	32.0%	31.4%	31.0%	29.0%
Montenegro	16.8%	19.1%	19.7%	19.7%	19.6%	19.8%
Serbia	13.6%	16.6%	19.2%	23.0%	23.9%	22.2%

* Data for Kosovo were taken from Kosovo Agency of Statistics

Tab. 5 | Source: World Bank– Unemployment (% of total labor force)



* Data for Kosovo were taken from Kosovo Agency of Statistics

Fig. 3 | Source: World Bank– Unemployment (% of total labor force)

From the data presented in Table 5 and Figure 3 we can see that Kosovo has the highest rate of unemployment, which at the end of 2013 marks the rate of 30%. In late 2013, Albania has recorded the lowest unemployment rate compared to all Western Balkan countries, namely lower than Croatia, which was a leader in the data obtained as basis for comparison so far. Macedonia is ranked as second for the high rate of unemployment, which is not far from Kosovo, with 29%.

One of the indicators which evaluate the performance of a country's economy is the annual report published by the World Bank which analyzes and measures the costs incurred by enterprises from the implementation or non-implementation of laws and regulations of that country. Currently, the World Bank has about 189 economies from various countries around the world for comparison basis. The following table shows the ranking of the Western Balkan countries in this comparative list with these economies.

DOING BUSINESS RANKING		
Country	2013	2014
Albania	108	68
Bosnia and Herzegovina	104	107
Croatia	67	65
Kosova	81	75
Macedonia	31	30
Montenegro	42	36
Serbia	77	91

Tab. 6 | Source: World Bank– Ease of doing business index

Within this comparative list, Kosovo compared to the western Balkan countries is ranked before Bosnia and Herzegovina, and Serbia, while Macedonia is positioned best in this list. Afterwards, Montenegro, Croatia and Albania are ranked. It is important to note that Kosovo has made significant improvements in recent years through the reforms that it followed and if this trend continues, it is expected that in the near future Kosovo will be better ranked in relation to the other countries.

INTEREST RATES IN THE BANKING INDUSTRY

One important aspect that is taken into account by the World Bank report on doing business is access to finance for enterprises in that country. Access to finance doesn't only mean the percentage of interest rates the financial institutions offer for borrowings but also, the eagerness of businesses to fulfill the required criteria to qualify for loans.

This issue will consider the effective interest rate, which also represents a key factor for enterprises to obtain loans. The effective rate shows the cost of the loan to its maturity, i.e. until the repayment of the loan, including the nominal interest rate and all other administrative expenses. Also, the effective interest rate on deposits will be discussed, which represents the financial cost that financial institutions bear for holding the deposits in bank accounts.

The data presented below on interest rates, are data obtained from the World Bank which publishes these data on annual basis and these data are expressed in different forms, depending on whether the country possesses local currency or euro. However, the data presented are a good indicator to interpret and compare Kosovo with other countries of the Western Balkans.

INTEREST RATES ON LOANS							
Country	2008	2009	2010	2011	2012	2013	2014
Albania	13.0%	12.7%	12.8%	12.4%	10.9%	9.8%	8.7%
Bosnia and Herzegovina	7.0%	7.9%	7.9%	7.4%	10.9%	9.8%	8.7%
Croatia	10.1%	11.6%	10.4%	9.7%	9.5%	9.2%	
Kosova	13.8%	14.1%	14.3%	13.9%	12.9%	11.1%	9.2%
Macedonia	9.7%	10.1%	9.5%	8.9%	8.5%	8.0%	7.5%
Montenegro	9.2%	9.4%	9.5%	9.7%	9.6%	9.4%	9.4%
Serbia	16.1%	11.8%	17.3%	17.2%	18.2%	17.1%	14.8%

Tab. 7 | Source: World Bank– Lending interest rate

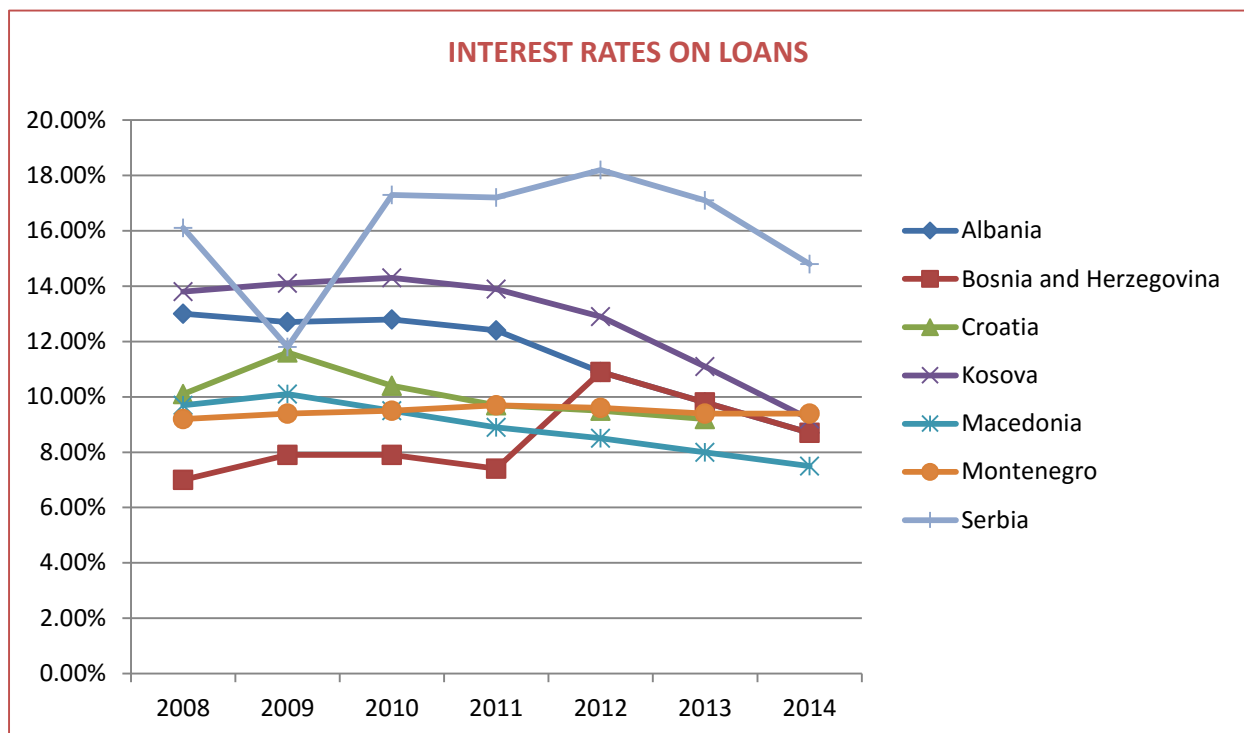


Fig.4 | Source: World Bank– Lending interest rate

Table 7 shows that Kosovo compared to the western Balkan countries has significantly improved in terms of the average effective interest rate on loans, especially in the last year. If this trend of lowering interest rates continues, then very soon it's expected to have among the lowest rates in the region. At the end of 2014, Kosovo has a lower interest rate than Serbia and Montenegro, while a higher rate compared to Albania and Bosnia and Herzegovina. In this comparison, Macedonia has the lowest interest rates on loans.

INTEREST RATES ON DEPOSITS							
Country	2008	2009	2010	2011	2012	2013	2014
Albania	6.8%	6.8%	6.4%	5.9%	5.4%	4.2%	1.9%
Bosnia and Herzegovina	3.5%	3.6%	3.2%	2.8%	3.2%	3.0%	2.7%
Croatia	2.8%	3.2%	1.8%	1.7%	1.9%	1.5%	
Kosova	4.4%	4.0%	3.4%	3.6%	3.7%	2.4%	1.1%
Macedonia	5.9%	7.0%	7.1%	5.9%	5.1%	4.4%	3.7%
Montenegro	3.8%	3.8%	3.7%	3.1%	3.3%	2.9%	2.1%
Serbia	7.3%	5.1%	11.3%	9.8%	10.6%	7.9%	6.8%

Tab. 8 | Source: World Bank– Deposit interest rate

Table 8 shows the effective interest rate on deposits, where we can see that compared to the western Balkan countries Kosovo has the lowest rates in deposits, while Albania and Montenegro rank behind. Serbia has the highest rates with 6.8%, for the fact that it also has the highest interest rates on loans.

DIFFERENCE BETWEEN THE INTEREST RATES ON LOANS AND DEPOSITS							
Country	2008	2009	2010	2011	2012	2013	2014
Albania	6.2%	5.9%	6.4%	6.6%	5.5%	5.7%	6.7%
Bosnia and Herzegovina	3.5%	4.3%	4.7%	4.6%	3.7%	4.0%	4.0%
Croatia	7.2%	8.4%	8.6%	8.0%	7.6%	7.7%	
Kosova	9.4%	10.1%	10.9%	10.2%	9.1%	8.7%	8.1%
Macedonia	3.8%	3.0%	2.4%	3.0%	3.4%	3.6%	3.8%
Montenegro	5.4%	5.5%	5.8%	6.6%	6.3%	6.5%	7.3%
Serbia	8.8%	6.7%	6.0%	7.4%	7.6%	9.2%	8.0%

Tab. 9 | Source: World Bank– Interest rate spread (lending rate minus deposit rate, %)

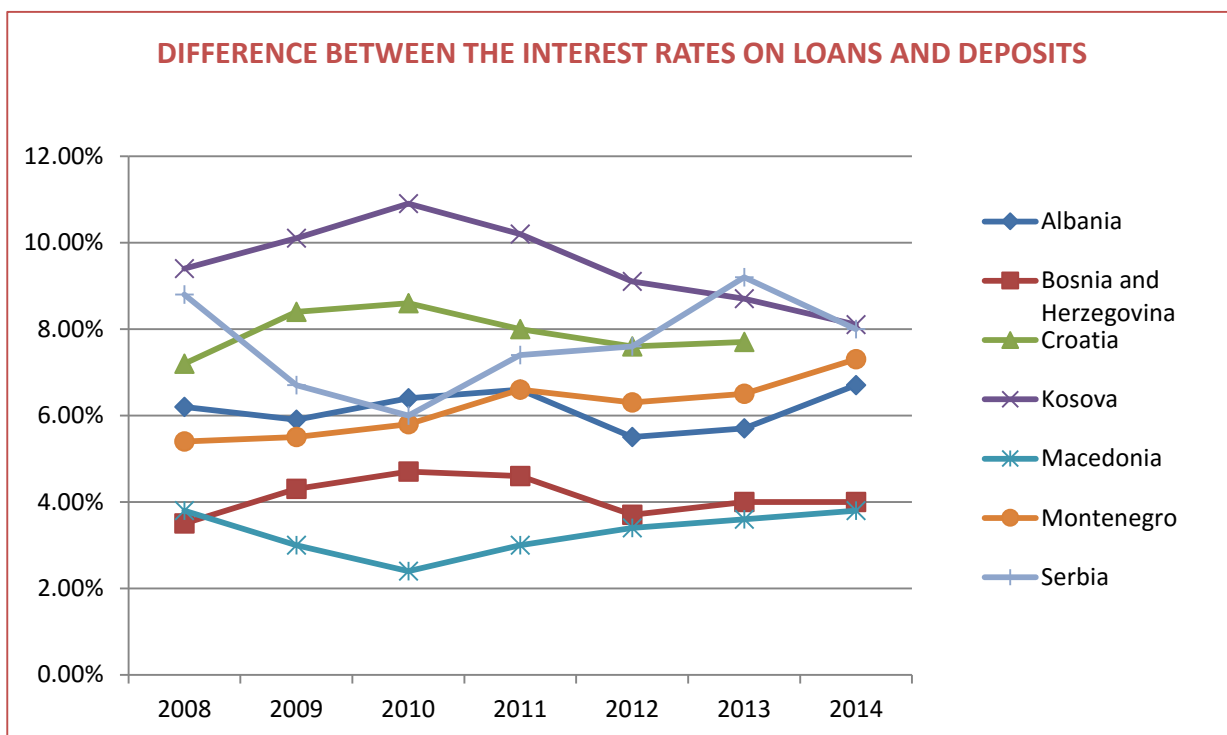


Fig. 5 | Source: World Bank– Interest rate spread (lending rate minus deposit rate, %)

Table 9 and Figure 5 show the difference between the interest rates on loans and deposits. As seen from the trend presented, Kosovo has made a significant improvement in terms of providing the best conditions for its citizens, especially in the last year, being comparable with many western Balkans countries. In this comparison, Macedonia continues to have the lowest difference recorded between the two interest rates.

Given the climate of doing business in Kosovo, especially on the issue of contract enforcement and the difficulties faced by the banking industry in the country, we can estimate that the banking industry has performed well recording positive growth values for all its indicators, thus providing sustainable security and trust among the citizens of the country, which represents a very important aspect of sustainable development for the future.

In the lending process, it is important for the banks to ensure their best, that the loan issued is repaid based on a plan set in collaboration with clients, in order to carefully manage the issue of non-performing loans. The following table shows the percentage of non-performing loans in the region.

NON-PERFORMING LOANS IN RELATION TO TOTAL LOANS							
Country	2008	2009	2010	2011	2012	2013	2014
Albania	6.6%	10.5%	14.0%	18.8%	22.5%	23.5%	
Bosnia and Herzegovina	3.1%	5.9%	11.4%	11.8%	13.5%	15.1%	15.5%
Croatia	4.9%	7.7%	11.1%	12.3%	13.8%	15.4%	16.4%
Kosova	3.3%	4.3%	5.8%	5.7%	7.4%	8.5%	8.2%
Macedonia	6.7%	8.9%	9.0%	9.5%	10.1%	10.9%	11.3%
Montenegro	7.2%	13.5%	21.0%	15.5%	17.6%	18.4%	17.2%
Serbia	11.3%	15.7%	16.9%	20.0%	18.6%	21.4%	23.0%

Tab. 10 | Source: World Bank– Bank nonperforming loans to total gross loans

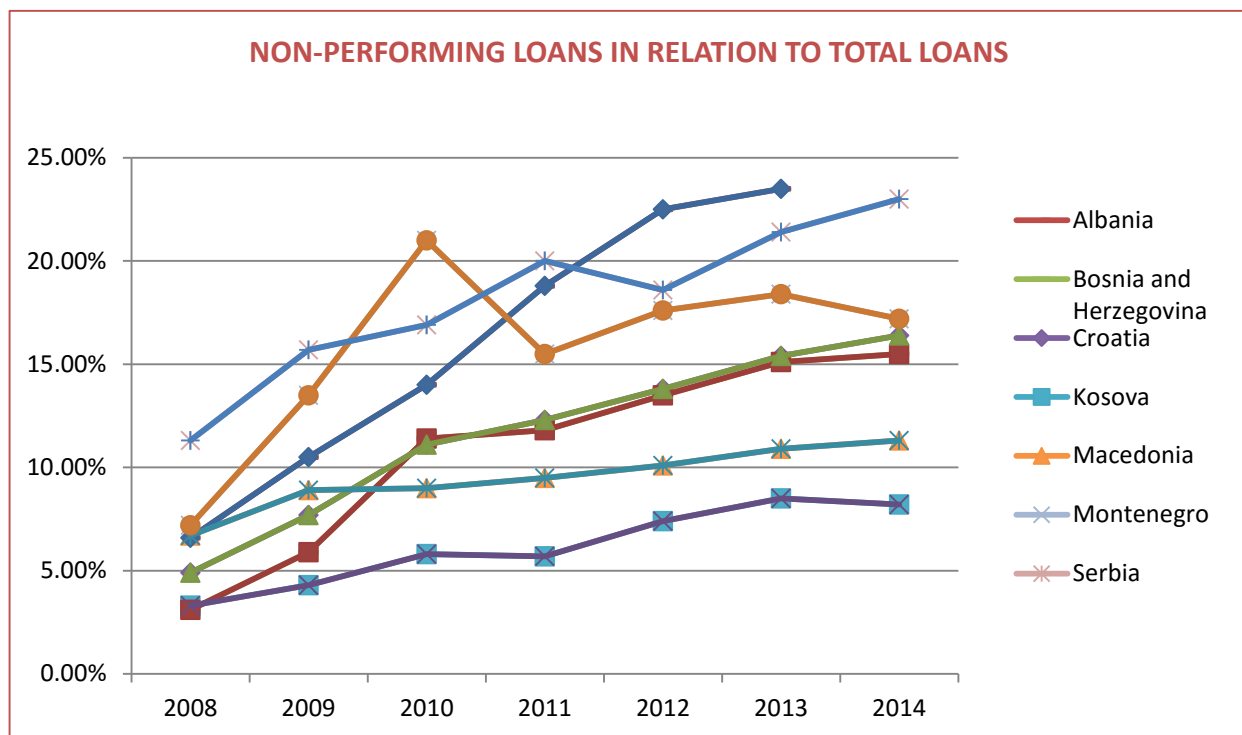


Fig. 6 | Source: World Bank– Bank nonperforming loans to total gross loans

Table 10 and Figure 6 show that Kosovo has the lowest non-performing loans in relation to the western Balkan countries. Ranked afterwards are Macedonia, Bosnia and Herzegovina, and so on, while from the latest data of 2013, the figures put Albania with the highest rate in the region in terms of non-performing loans.

This shows that the banking industry has been more conservative and very prudent during the process of issuing loans, thus giving primary importance to the credit portfolio quality.

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BANKING PERIODIC - JUNE 2015

INCOME STATEMENT OF THE BANKING INDUSTRY IN KOSOVO

REVENUES OF THE BANKING INDUSTRY IN KOSOVO



The banking industry in Kosovo has continued to mark a continuous growth in its main indicators, which has led this sector to be more reliable and more secure in its performance. In this context, the banking industry revenues continued to have positive values both increasing and in relation to the expenses of this industry. This implies that the banking industry has been profitable in an ongoing basis, which is necessary for any business to perform in a stable basis, leading deposits of Kosovo's citizens to be safer.

REVENUE OF THE BANKING INDUSTRY								Million Euro	
Period	Interest income				Non-interest income		Income from revaluations	Total	
	Loans	Bank placements	Securities	Other	Fees and commissions	Other operating income			
							-	-	
2010	169.6	2.7	3.1	0.4	37.5	3.9	-	217.2	
2011	186.3	4.1	4.2	0.5	41.7	3.3	-	240.1	
2012	194.9	2.0	3.0	0.6	44.2	2.4	-	247.0	
2013	192.5	1.4	2.3	2.0	45.6	3.9	1.2	249.0	
2014	189.5	1.1	2.9	2.5	44.5	3.3	0.5	244.2	

Tab. 1 | Source: CBK – Income statement of other depository corporations

As presented in Table 1, it can be seen that the banking industry had roughly the same revenues throughout the years with a slight increase from year to year, with the exception of last year when revenues were 4.8 million Euros less or about 1.9% lower income compared to 2013.

As seen, this reduction of 4.8 million Euros resulted from a decreased interest income on loans disbursed, in which the banking industry has collected 3 million Euros or 1.55% less interest income on loans, as well as 1.1 million Euros or 2.4% less income generated from fees and commissions. This proves that over the past year (2014), the banking industry has managed to significantly reduce interest rates on loans issued, since the total value of loans issued increased during the last year, and also has reduced fees and commissions that apply to customers for services and products offered. The reduction of fees and commissions is mainly due to the use of electronic services and products for which the banking industry has made significant investments; in which case it has aimed at stimulating an increased use of these electronic service instruments through lower prices, in order to decrease the use of cash. Statistics show that the strategy used by the banks has been successful.

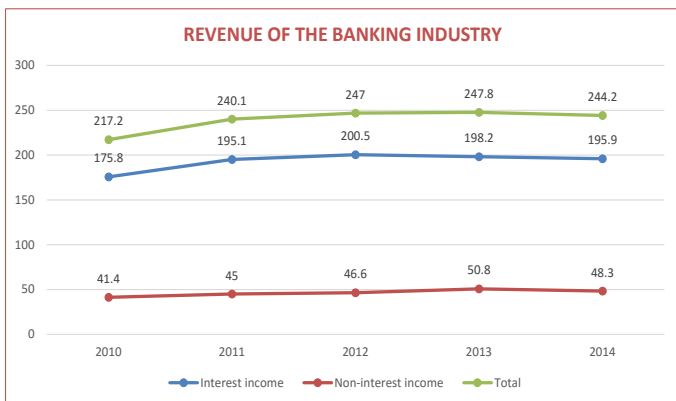


Fig. 1 | Source: CBK – Income statement of other depository corporations

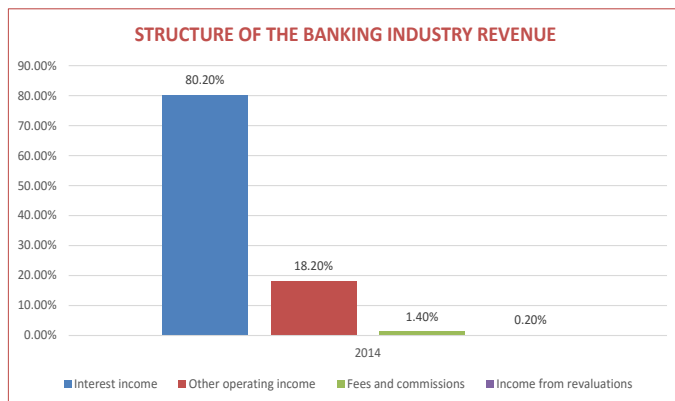


Fig. 2 | Source: CBK – Income statement of other depository corporations

As shown in Figures 1 and 2, the main portion of the banking industry revenues consist of interest income which include interest income from loans, placements with banks, securities and others. The group’s main income of the banking industry also includes non-interest income, namely fee and commission income.

Hence, banking industry main activity remains lending, reflected in the income statement of this industry.

The banking industry performance continued to be approximately the same even in 2015, in which case interest income from loans and income from fees and commissions marked a slight decrease. This can be seen in Table 2 shown below.

REVENUE OF THE BANKING INDUSTRY							Million Euro	
Period	Interest income				Non-interest income		Income from revaluations	Total
	Loans	Bank placements	Securities	Other	Fees and commissions	Other operating income		
May 2014	77.7	0.6	1.0	1.3	18.6	1.2	0.2	100.6
May 2015	76.2	0.3	1.7	0.1	18.5	4.6	0.8	102.2

Tab. 2 | Source: CBK – Income statement of other depository corporations

For comparison purposes of the banking industry revenue of this year (2015), data as of May 2014 was obtained. Of the total revenue until May 2015, it is obvious that there is 1.6 million Euros or 1.59% more income compared to the same period of last year.

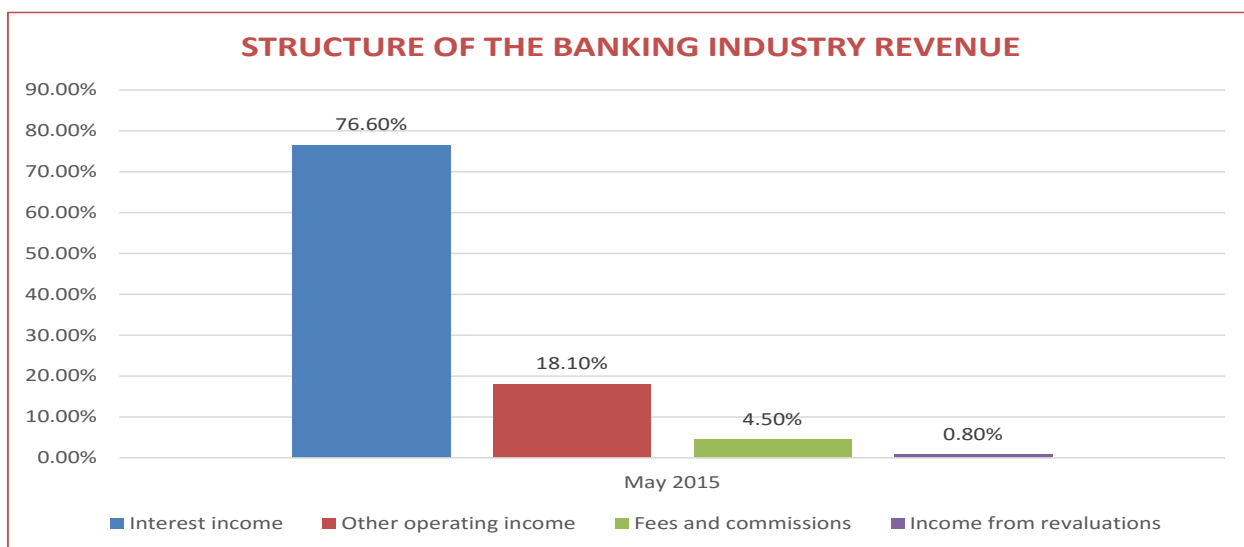


Fig. 3 | Source: CBK – Income statement of other depository corporations

As shown in Figure 3, there is a shift in the income structure of the banking industry during the year 2015 in relation to the structure of income at the end of 2014, since in the framework of income, the percentage of interest income of industry to total revenue has declined from 80.2% to 76.6%, income from fees and commissions from 18.2% to 18.1%, while other operating income increased from 1.4% to 4.5%.

BANKING INDUSTRY EXPENSES

In the past two years, the expenses of the banking industry had declined considerably, which has made the gap between income and expense to increase, leading to a higher industry profit, although it can be seen that the income had recorded a slight decrease in 2014 compared to 2013.

BANKING INDUSTRY EXPENSES											Million Euro
Period	Interest expense			Non-interest expense		General and administrative expenses			Loss from revaluation	Tax provision	Total
	Deposits	Borrowing	Other	Fees and commission	Loan loss provision	Personnel expenses	General expenses	Other non-int expenses			
2010	49.4	4.8	1.1	7.7	28.3	37.8	37.6	12.6	1.2	4.3	184.8
2011	51.3	5.6	1.5	8.5	34.8	40.7	33.5	22.9	1.2	4.2	204.1
2012	57.6	3.2	2.3	8.7	50.3	42.3	35.5	24.5	0.7	3.3	228.6
2013	58.0	2.6	3.2	9.4	46.1	42.3	35.6	22.5	-	3.2	223.0
2014	36.4	3.1	4.5	11.1	20.5	42.4	34.8	24.5	-	6.8	184.2

Tab. 3 | Source: CBK – Income statement of other depository corporations



At the end of 2014 banking industry expenses have declined by 38.8 million Euros or 17.4% compared to the end of 2013. Most of this reduction is due to the reduction of loan loss provisions for 25.6 million Euros or to 55.5%. Reducing the amount of provisioning for loan losses shows that the quality of the loan portfolio has improved significantly, allowing banks to have less expenses in this category. The banking industry has also made reductions of the interest expense; respectively reduce the interest paid on deposits for 21.6 million Euros or 37.2%.

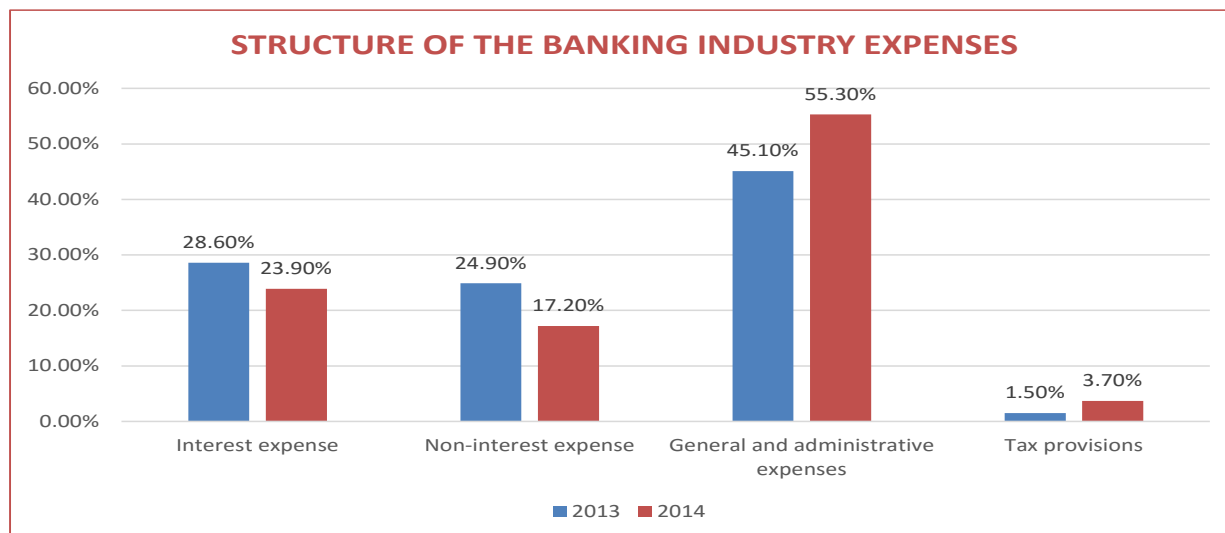


Fig. 4 | Source: CBK – Income statement of other depository corporations

Within the total expenditure of the banking industry, according to Figure 4, most consists of general and administrative expenses, followed by interest expense, non-interest expenses, followed by others.

The change in the cost structure of the banking industry from 2013 to 2014 can also be seen in Figure 4, where the non-interest expenses decreased by 7.7% (including loan loss provision) and interest expenses by 4.7%.

The trend of reducing banking industry expenses has continued in 2015, respectively until May, if compared to the same period of 2014.

BANKING INDUSTRY EXPENSES											Million Euro	
Period	Interest expenses			Non-industry expenses		General and administrative expenses			Loss from revaluation	Provision For taxes	Total	
	Deposits	Borrowing	Other	Fees and commission	Loan loss provision	Personnel expense	General expenses	Non-interest expense				
May 2014	19.0	1.1	1.9	4.8	11.7	17.2	14.2	8.7	-	2.5	81.2	
May 2015	7.7	1.8	0.6	4.6	2.9	17.1	13.4	10.1	-	3.6	61.9	

Tab. 4 | Source: CBK – Income statement of other depository corporations

Based on table 4, it is clear that the total expenses of the banking industry for the first five months of 2015 compared to 2014 decreased by 19.3 million Euros or 23.7%. Even during 2015, the substantial reduction of banking industry expenses for loan loss provisions has continued, in which case the provisioning has decreased by 8.8 million Euros or 75.2%. The interest expense on deposits was also reduced by 11.3 million Euros or 59.4%. This shows that the banking industry continues to show great maturity in maintaining and further improving the quality of its loan portfolio causing reduced provisioning expenses.

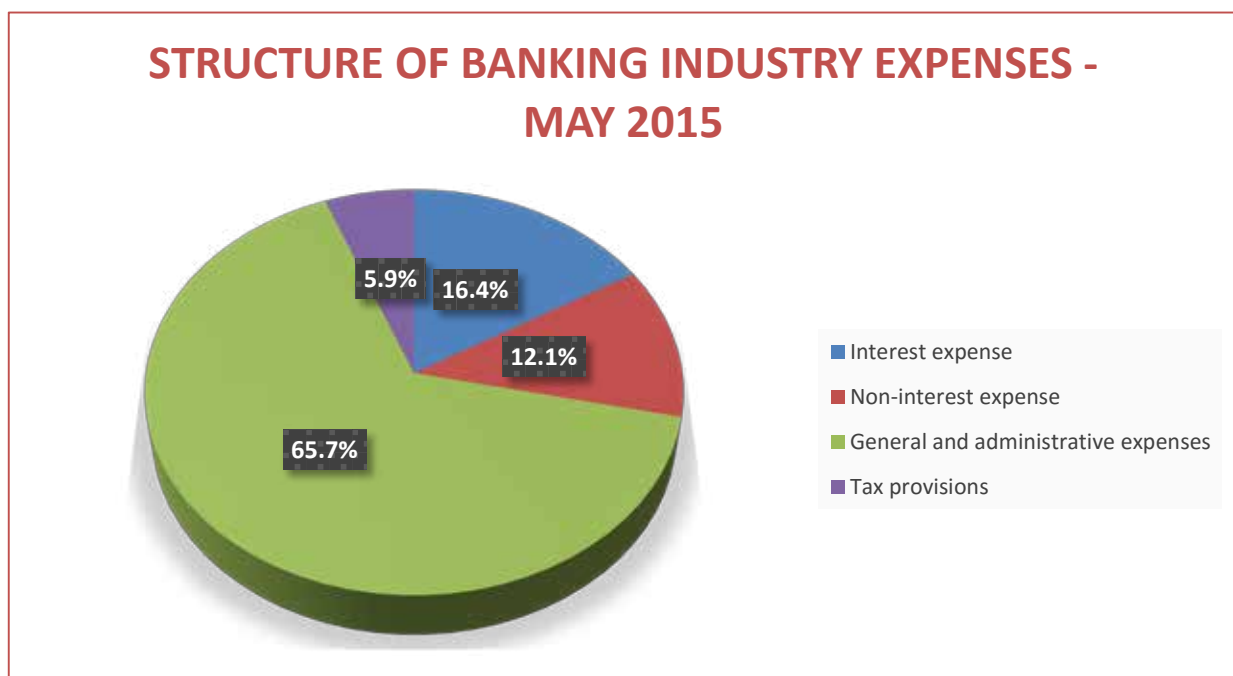


Fig. 5 | Source: CBK – Income statement of other depository corporations

The structure of the banking industry's total expenditure has continued to change during 2015 compared to previous years, in which case Figure 5 shows that general expenses have increased their participation to 65.7%, while interest expense has decreased to 16.4% and non-interest expenses to 12.1%.

NET OPERATING INCOME OF THE BANKING INDUSTRY



Although revenue had no major change in the past four years, banking industry expense reduction, particularly in the past two years, made the banking industry have a greater profit realized at the end of 2014.

NET OPERATING INCOME OF THE BANKING INDUSTRY			
			Million Euro
Period	Revenue	Expenses	Net profit
	A	B	A-B=C
2010	217.2	184.8	32.4
2011	240.1	204.1	36.0
2012	247.0	228.6	18.5
2013	249.0	223.0	26.0
2014	244.2	184.2	60.1

Tab. 5 | Source: CBK – Income statement of other depository corporations

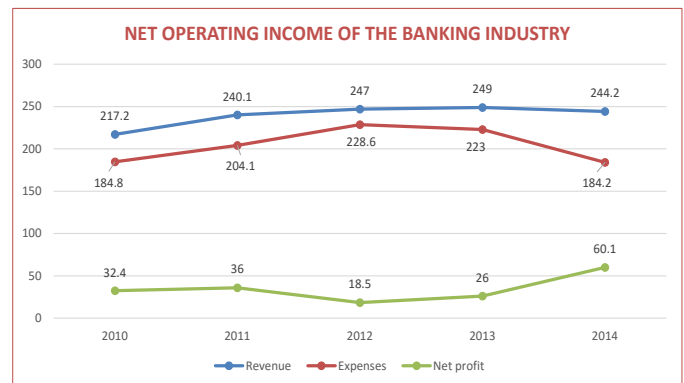


Fig. 6 | Source: CBK – Income statement of other depository corporations

As seen from Table 5 and Figure 6, at the end of 2014 the banking industry has marked an increased net profit compared to 2013 for 34.1 million Euros or an increased profit for 131.1%, while it can be seen that expenses had a declining trend over the last two years.

The similar trend of decreasing expenditures and increasing net profit has continued in 2015, while revenues were approximately the same. Table 6 below shows this trend.

NET OPERATING INCOME OF THE BANKING INDUSTRY			
			Million Euro
Period	Revenue	Expenses	Net profit
	A	B	A-B=C
May 2014	100.6	81.2	19.4
May 2015	102.2	63.0	39.2

Tab. 6 | Source: CBK – Income statement of other depository corporations

If the net profit for the month of May 2015 is compared to the same period in 2014, it can be seen that profit increased by 19.8 million Euros or 102%.

Based on the data obtained for comparison for the years 2010-2014 and considering the following data from the 2015 income statement, during this period the banking industry has achieved a significant reduction of interest income on loans, providing the

citizens of Kosovo with lower interest rates on loans, while simultaneously managing that for business needs and profit purposes to keep a steady level of income. It has also been able to manage its credit portfolio more successfully, reducing provisioning costs and making the industry realize the highest net profit in the last year, thus guaranteeing reliability to citizens for the sustainability and financial stability as well as offering a greater security for their deposits. This sustainability and financial stability is crucial for the economic development of the country, since this sector credits the economy.

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BANKING PERIODIC - JULY 2015

LOANS WITHIN THE ASSETS OF THE BANKING INDUSTRY IN KOSOVO

LOANS WITHIN THE ASSETS OF THE BANKING INDUSTRY



Assets of the banking industry in Kosovo have continued to mark an ongoing increase, which has caused this sector to be more reliable and safe in its performance. In this context, the total amount of loans of the banking industry has continued to increase, with a similar ratio to the total assets of the industry. This implies that the banking industry has developed a sustainable and profitable business on an ongoing basis, which is necessary for any business to perform in a stable basis, leading also to safer deposits for the citizens of Kosovo.

STRUCTURE OF ASSETS OF THE BANKING INDUSTRY (2010 – JUNE 2015)						Million Euro
Description	2010	2011	2012	2013	2014	Jun - 2015
Cash and balance with CBK	307.0	331.5	425.7	463.3	447.1	397.4
Balance with commercial banks	439.1	329.5	287.9	339.9	390.8	341.9
Securities	173.4	202.0	256.6	354.5	383.8	443.8
Gross Loans and lease financing	1,458.7	1,698.1	1,763.4	1,805.8	1,882.3	2,005.2
Fixed assets	44.0	47.4	57.7	55.5	53.7	52.7
Other assets	32.9	41.3	38.1	40.3	28.8	28.6
Total assets	2,455.1	2,649.7	2,829.3	3,059.3	3,186.6	3,269.6

Tab. 1 | Source: CBK– Balance sheet of Other Depository Corporations

Assets of the banking industry have increased, in which case, only the first half of 2015 showed an increase of 2.6%, while asset growth for the entire 2014 was 4.1%. As seen in Table 1, within total assets, the main part is comprised of loans and leasing, securities, cash and so on. It is important to note that cash and balances with CBK have declined, hence can be concluded that the banking industry is oriented more towards the use of electronic services, thus reducing the need for cash.

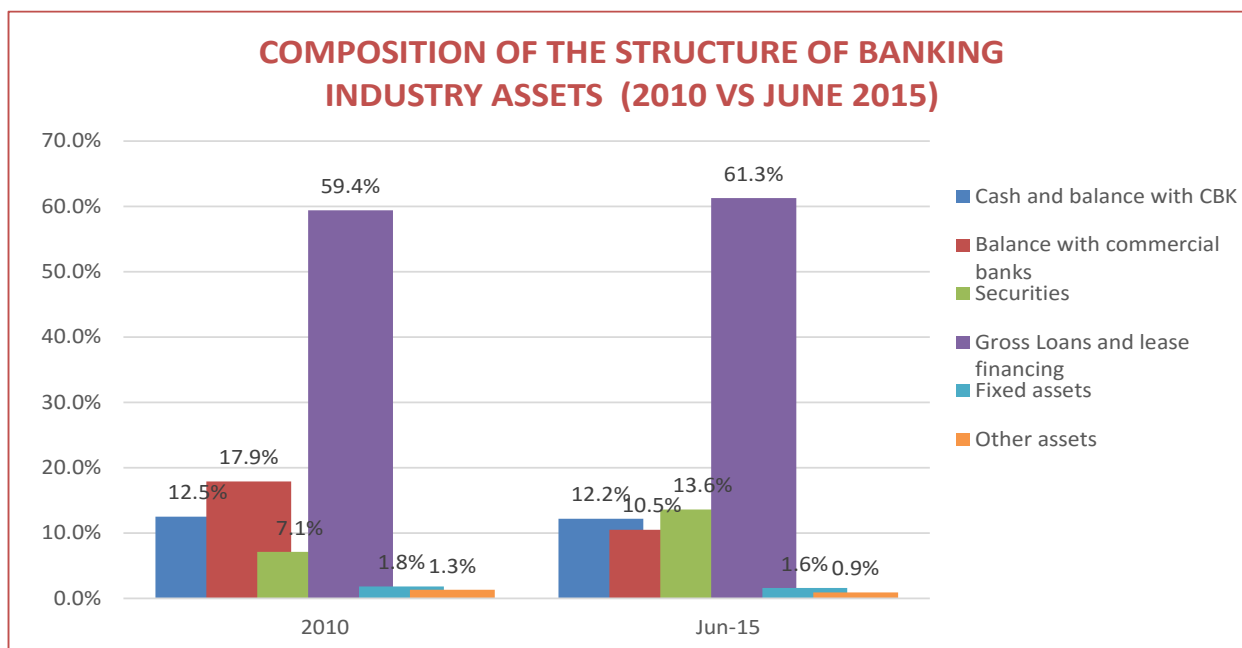


Fig. 1 | Source: CBK– Balance sheet of Other Depository Corporations

If we compare the share of loans and leasing within the total assets of the banking industry in Figure 1, we can see that this participation has increased compared to 2010, from 59.4% to 61.3% in June 2015. Securities also recorded a substantial increase in participation since 2010, from 7.1% to 13.6% in June 2015. The balance with commercial banks has declined in participation from 17.9% to 10.5% between the two comparative periods.

As one of the greatest participants in the total structure of assets, loans and leasing have steadily increased in the period taken for comparison which can be seen in Table 2 and Figure 2.

CREDIT GROWTH IN THE BANKING INDUSTRY (2011 - JUNE 2015)					
Description	2011	2012	2013	2014	Jun-15
Gross Loans and lease financing	16.4%	3.8%	2.4%	4.2%	6.5%

Tab. 2 | Source: CBK– Balance sheet of Other Depository Corporations

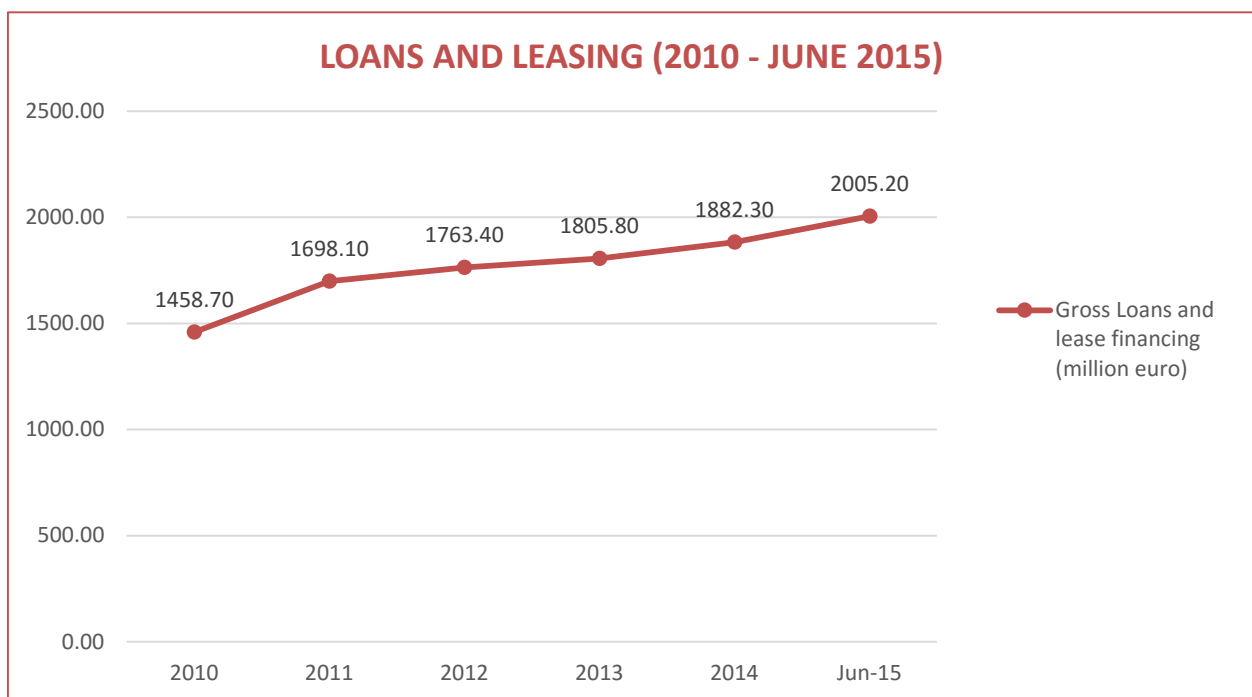


Fig. 2 | Source: CBK– Balance sheet of Other Depository Corporations

At the end of June 2015, the value of loans and leasing has reached over 2 billion Euros and if this trend continues to increase, it is expected that the annual growth rate of the loan portfolio to be much higher this year, compared to the previous year.

LOANS BY ECONOMIC ACTIVITY



During the lending process, the banking industry credits different sectors of the economy, adapting to conditions, specifications and special requirements related to that sector. In this context, the current loan portfolio of the banking industry is various, although it is dominated by loans issued to the trade sector.

LOANS BY ECONOMIC ACTIVITY (2010 – JUNE 2015)										Million Euro
Description	Agriculture	Mining	Manufacturing	Energy	Construction	Trade	Hotels & Restaurants	Other trade	Other services	Total
2010	38.2	14.6	127.6	18.0	109.1	521.2	39.5	18.9	135.6	1,022.8
2011	40.5	17.2	136.7	14.5	116.3	606.2	39.9	23.4	154.9	1,149.5
2012	43.6	16.2	133.1	15.9	125.2	635.3	38.8	22.7	163.3	1,194.2
2013	45.8	20.1	131.7	20.8	118.7	640.6	49.2	19.1	171.3	1,217.4
2014	49.4	19.7	148.9	17.1	104.2	664.0	49.7	17.1	172.6	1,242.8
June - 15	51.0	18.7	168.5	20.5	103.6	723.3	54.0	18.2	182.3	1,340.1

Tab. 3 | Source: CBK– Loans of Other Depository Corporations by economic activity

As seen from Table 3, loans issued to trade dominate in relation to other sectors of the economy, accounting for 54.0% at the end of June 2015. A substantial amount of the loan portfolio is constituted of loans issued to other services with 13.6 % and loans issued for manufacturing with 12.6%.

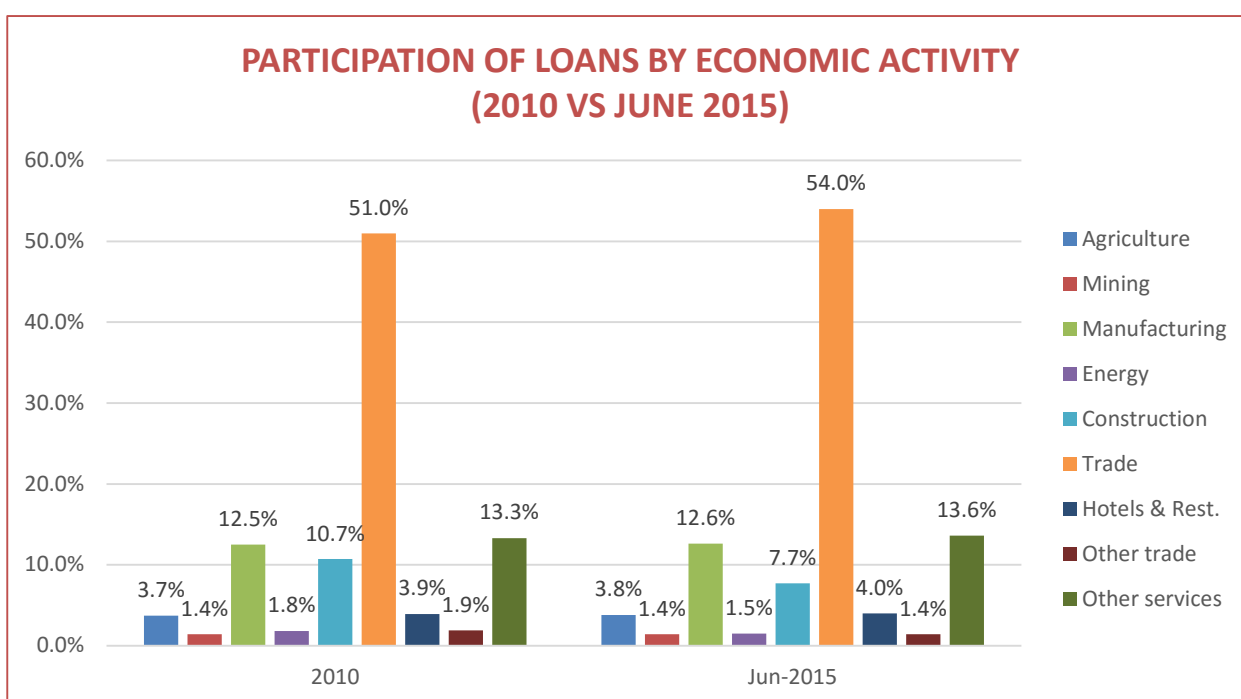


Fig. 3 | Source: CBK– Loans of Other Depository Corporations by economic activity

If we compare the share of loans by economic activity in two different periods, as shown in Figure 3, we can see that the composition of the loan structure is similar between the two periods, with some minor changes to loan participation for the trade and construction sector.

Figure 4 shows the continuous increasing trend of loans granted to different economic sectors throughout the comparative period.

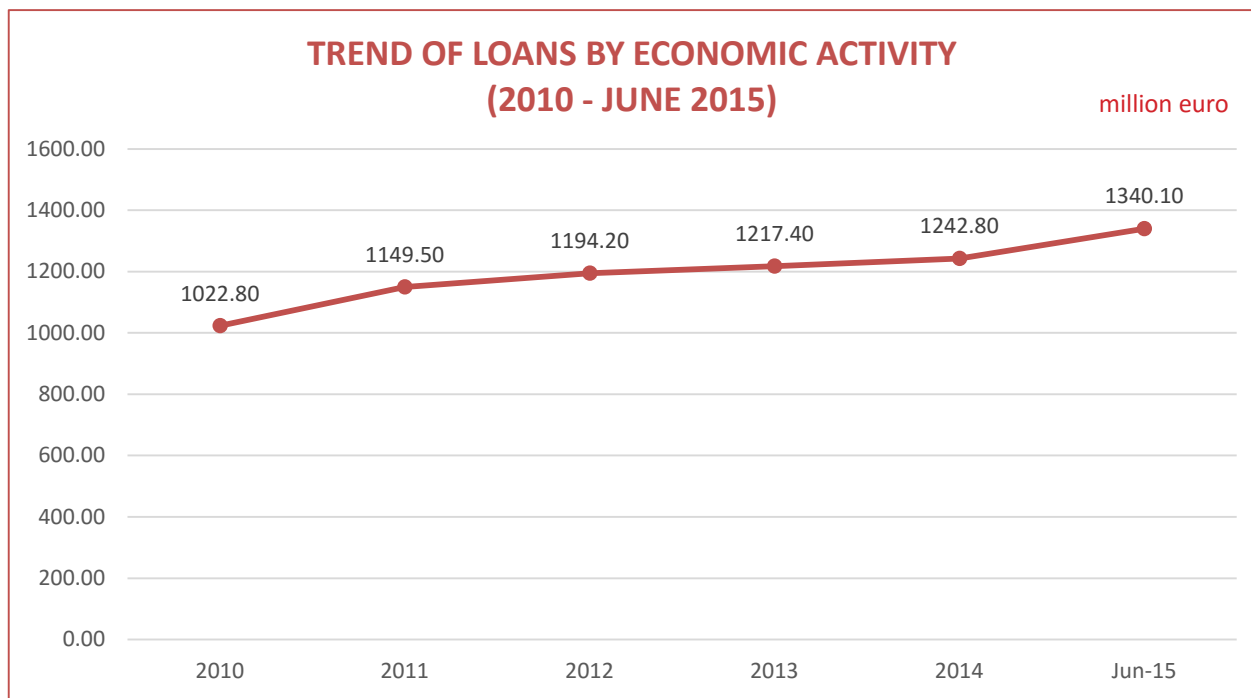


Fig. 4 | Source: CBK– Loans of Other Depository Corporations by economic activity

Only during the first half of 2015, i.e. until the end of June 2015, loans issued to economic sectors increased by 7.8% compared to the end of 2014, while credit growth for economic sectors at the end of 2014, in relation to 2013 was 2.1%. This indicates that 2015 will be even more successful in the volume of lending, enabling greater lending to the economy of Kosovo, which has a direct impact on the economic development of the country.

NEW LOANS OF THE BANKING INDUSTRY

The values presented below show exclusively new loans issued during the specified period and do not include the total value of loans that the banking industry has towards its active customer. These data are important indicators, since they show the trend of current loans.



NEW LOANS IN THE BANKING INDUSTRY (2010 – 2014)			
			Million Euro
Description	Non-financial corporations	Households	Total
2010	491.3	240.5	731.8
2011	508.4	293.7	802.1
2012	468.4	275.9	744.3
2013	467.9	294.1	761.9
2014	615.4	378.5	993.9

Tab. 4 | Source: CBK– New loans of Other Depository Corporations

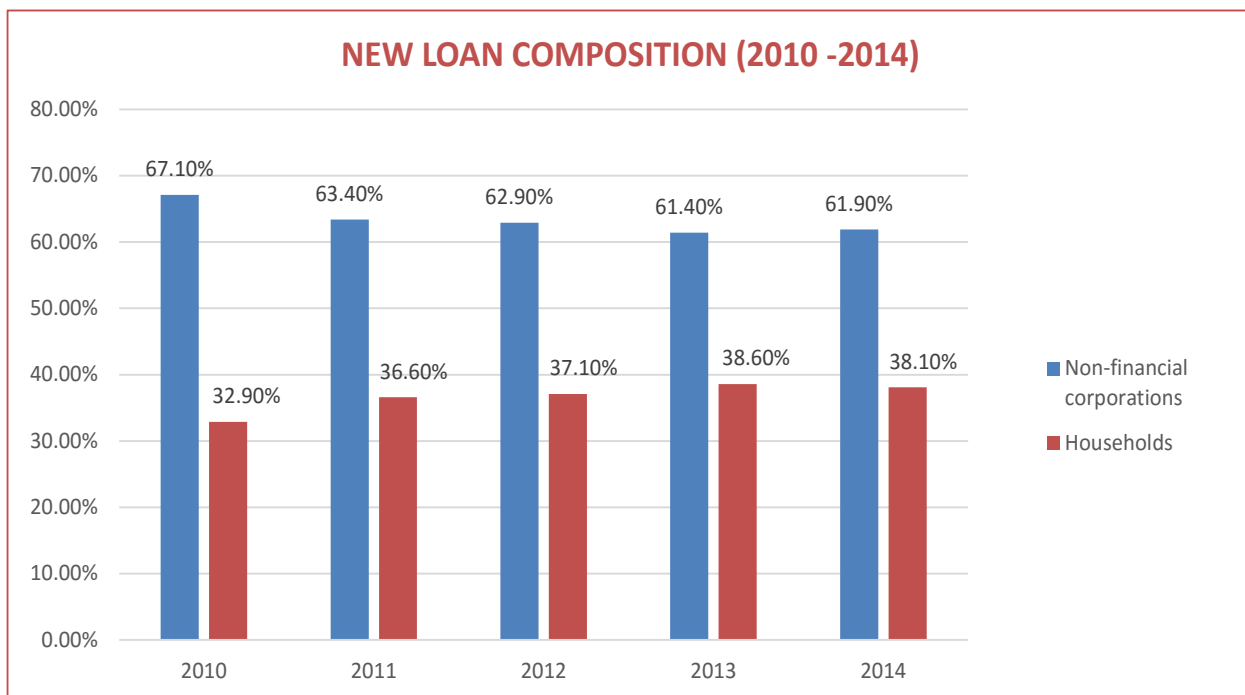


Fig. 5 | Source: CBK– New loans of Other Depository Corporations

Table 4 also shows the increasing trend of new loans in all comparative periods, in which case at the end of 2014, it increased by 30.4%, which represents a significant increase for the banking industry and the economy of Kosovo, unlike 2013, when this growth was by only 2.3%. Within the total new loans, the biggest share of loans is comprised of loans issued to economic sectors with 61.9% at the end of 2014 and 38.1% for households.

Additionally, the first half of 2015 had an increase of new loans, thus continuing the upward trend in the comparative periods.

NEW LOANS IN THE BANKING INDUSTRY (JUNE 2014 – JUNE 2015)			Million Euro
Description	Non-financial corporations	Households	Total
Jun-14	332.9	179.3	512.2
Jun-15	348.6	207.4	555.9

Tab. 5 | Source: CBK– New loans of Other Depository Corporations

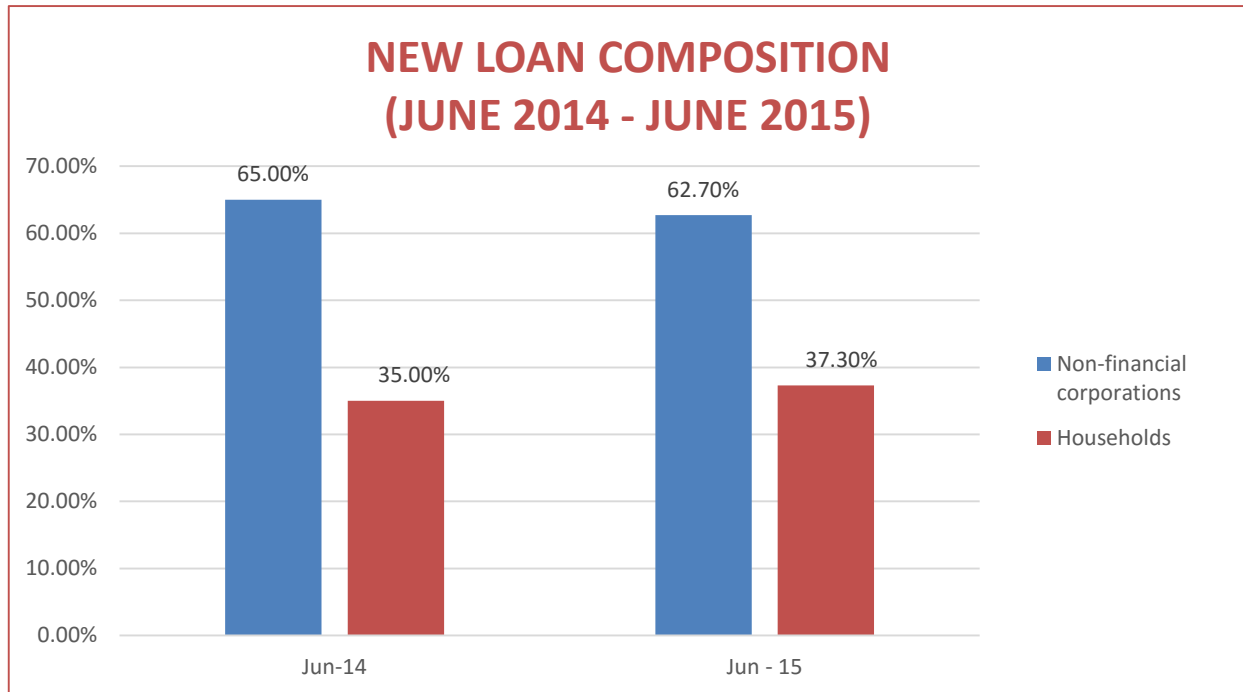


Fig. 6 | Source: CBK– New loans of Other Depository Corporations

In June 2015 compared to the same period of 2014, new loans increased by 43.7 million Euros or by 8.5%, which can be seen in Table 5 and Figure 6. In this comparison, the composition of new loans remained approximately the same, dominated by loans issued to non-financial corporations with 62.7%, while for households with 37.3%.

LOANS BY MATURITY

The banking industry has credited the economic sectors, but also households with various maturities, ranging from short-term loans to loans with maturity over 10 years. In this way, the banking industry has adapted to the requests and needs of its clients, depending on previously defined criteria.

LOANS BY MATURITY (JUNE 2015)								Million Euro
No.	Sector	Non-euro loans	Loans by maturity					Total
			< 1 year	1-2 years	2-5 years	5-10 years	> 10 years	
1	Other financial auxiliaries	-	4.1	0.1	3.2	0.1	-	7.4
2	Insurance companies	-	0.9	0.3	0.3	-	-	1.5
3	Public non-financial corporations	-	0.0	-	0.5	0.1	-	0.6
4	Non-financial corporations	-	366.5	130.5	513.3	292.0	25.7	1,328.1
5	Households	-	56.2	41.2	246.3	274.2	42.9	660.9
6	NPHSO	-	-	-	-	0.1	-	0.1
7	Other non-depository corporations	-	-	-	0.1	0.2	0.1	0.3
8	Other non-financial corporations	6.3	-	-	-	-	-	6.3
	Total	6.3	427.8	172.1	763.7	566.7	68.6	2,005.2

Tab. 6 | Source: CBK– Loans of Other Depository Corporations by maturity

As shown in Table 6, the largest share of loans with 38.0% consists of loans with a maturity of 2-5 years and 28.2% with a maturity of 5-10 years. A considerable part of 21.3% of the loans have a maturity of up to one year, while 8.5% of the loans have a maturity of 1-2 years. Loans with maturities of over 10 years compose 3.4% of total loans issued by the banking industry.

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BANKING PERIODIC - AUGUST 2015

DEPOSITS WITHIN LIABILITIES OF THE BANKING INDUSTRY IN KOSOVO

DEPOSITS OF THE BANKING INDUSTRY



Deposits of the banking industry in Kosovo have continued to mark an ongoing increase, which has caused this sector to be more reliable and secure in its performance. In this context, the total amount of deposits of the banking industry has continued to increase, with a similar ratio to the total liabilities of the industry. This implies that the banking industry has developed a sustainable and profitable business on an ongoing basis, which is necessary for any business to perform in a stable basis, leading also to safer deposits for the citizens of Kosovo.

STRUCTURE OF LIABILITIES OF THE BANKING INDUSTRY (2010 –2015)						Million Euro
Description	2010	2011	2012	2013	2014	Aug-2015
Balance from other banks	70.7	40.0	6.0	16.5	31.8	42.5
Deposits	1,936.8	2,104.0	2,279.1	2,449.0	2,537.5	2,656.9
Other borrowings	23.4	30.4	18.9	13.4	14.1	13.1
Written down provisions	0.1	0.2	1.7	2.0	2.9	4.3
Other liabilities	160.1	191.3	221.4	244.1	229.9	220.3
Subordinated debt	33.5	31.0	31.0	56.3	47.3	47.4
Bank's liabilities on acceptances outstanding	-	-	0.5	0.1	-	-
Own resources	230.4	252.8	270.7	277.8	323.1	364.5
Total liabilities	2,455.1	2,649.7	2,829.3	3,059.3	3,186.6	3,349.2

Tab. 1 | Source: CBK – Balance sheet of other depository corporations

Liabilities of the banking industry have increased, in which case, as of August 2015 showed an increase of 5.1%, while liability's growth for the entire 2014 was 4.1%. As seen in Table 1, within total liabilities, the main part is comprised of deposits, own resources, other liabilities and so on. It is important to note that liabilities and other borrowings have declined, while other categories have marked a significant increase during 2015.

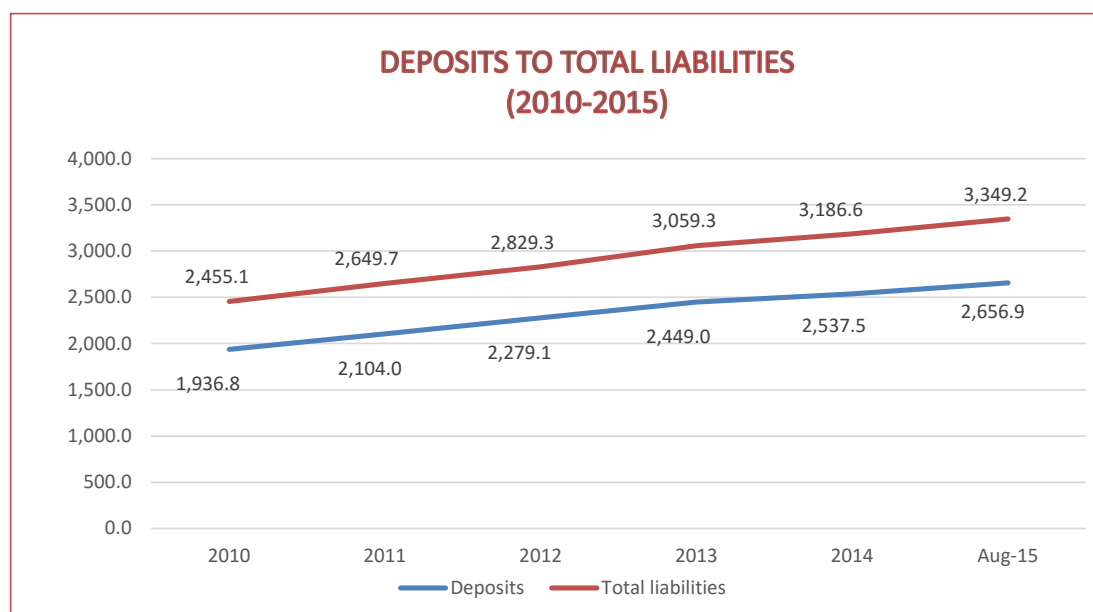


Fig. 1 | Source: CBK – Balance sheet of other depository corporations

Figure 1 shows the upward parallel trend of deposits to total liabilities. This shows that the banking industry deposits constitute the main source of revenue for this industry. Deposits in 2015 constitute 79.3% of total liabilities of the banking industry, while roughly the same composition was present in the past years.

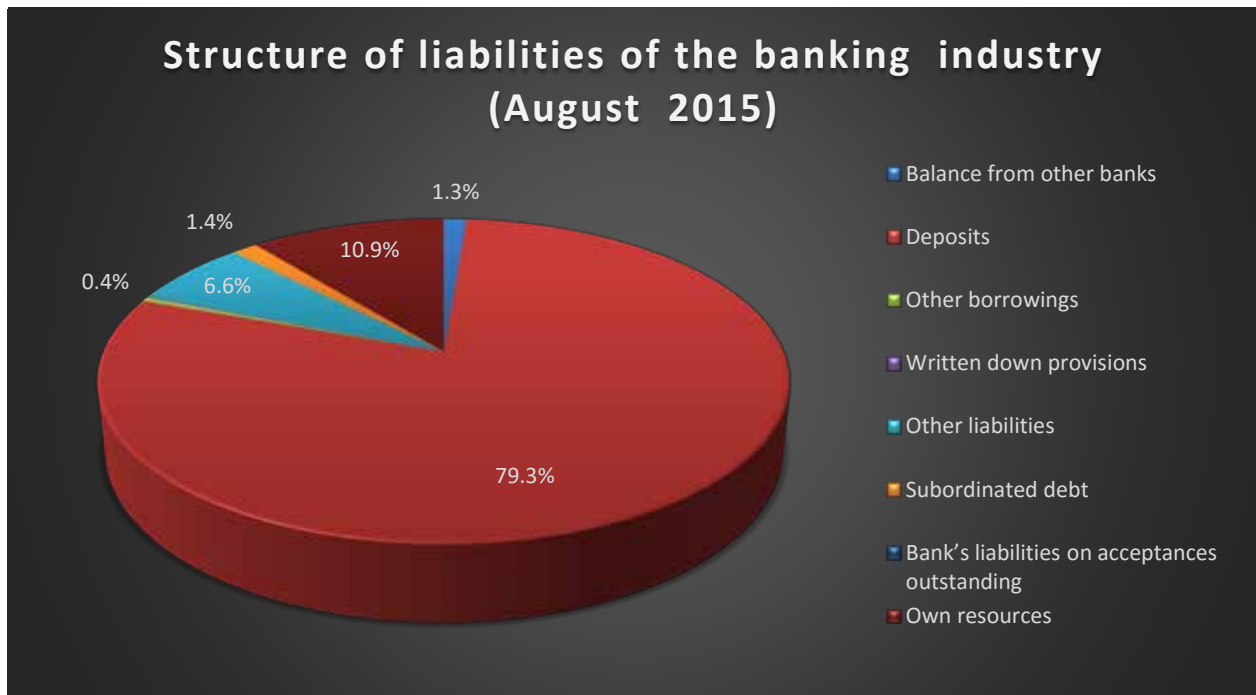


Fig. 2 | Source: CBK – Balance sheet of other depository corporations

Figure 2 shows the current liabilities structure of the industry, where the dominance of deposits is noted in the context of total liabilities, own resources or capital constitutes 10.9% of total liabilities, while other categories account for less than ten percent of total liabilities.

STRUCTURE OF DEPOSITS IN THE BANKING INDUSTRY

Besides the various structure of liabilities of the banking industry, deposits of this industry also have a varying structure, depending on the legal status of the banks' clients. In this context, the composition of deposits is also different, which at the same time presents a special importance, as these represent the main source of revenue for the industry.



STRUCTURE OF DEPOSITS IN THE BANKING INDUSTRY (2010-2015)						Million Euro
Description	2010	2011	2012	2013	2014	Aug-2015
Government	11.7	2.7	0.7	1.8	8.8	10.9
Other depository corporations	7.3	9.9	3.8	2.5	2.8	5.6
Other financial intermediaries	7.9	6.8	6.2	7.4	5.1	3.6
Insurance companies	47.6	57.2	64.3	72.3	79.3	62.1
Pension funds	41.6	43.1	45.3	5.7	17.1	12.3
Financial auxiliaries	0.6	0.5	0.4	0.3	0.3	2.1
Public nonfinancial corporations	122.3	128.5	75.6	72.1	61.8	43.4
Other non-financial corporations	292.5	278.1	326.1	383.5	387.9	443.1
Households	1,206.1	1,373.4	1,535.4	1,658.7	1,750.6	1,830.1
Non-profit organizations	14.0	22.2	23.2	26.4	30.6	32.2
Nonresidents	79.1	60.0	81.7	83.4	82.1	95.7
Non-euro deposits	106.0	121.6	116.3	134.9	111.2	116.0
Total liabilities	1,936.8	2,104.0	2,279.1	2,449.0	2,537.5	2,656.9

Tab. 2 | Source: CBK – Deposits of other depository corporations by original maturity and non-euro deposits

Table 2 shows the structure of deposits, where it can be seen that except that deposits have increased within their total, the majority of their sub-categories have also increased in 2015. Deposits of public non-financial corporations, pension funds, insurance companies and other financial intermediaries are the exceptions to this growth of deposits.

In August 2015, deposits of the banking industry increased by 4.7% compared to the end of 2014, which represents an increase greater than the total growth of 3.6% in 2014 compared to 2013. Household deposits continue to dominate within total deposits, making up 68.9% of total deposits in August of 2015.

Household deposits, just like total deposits, have marked a steady increase over the years, where in August 2015 these deposits increased by 4.5% compared to the end of 2014.

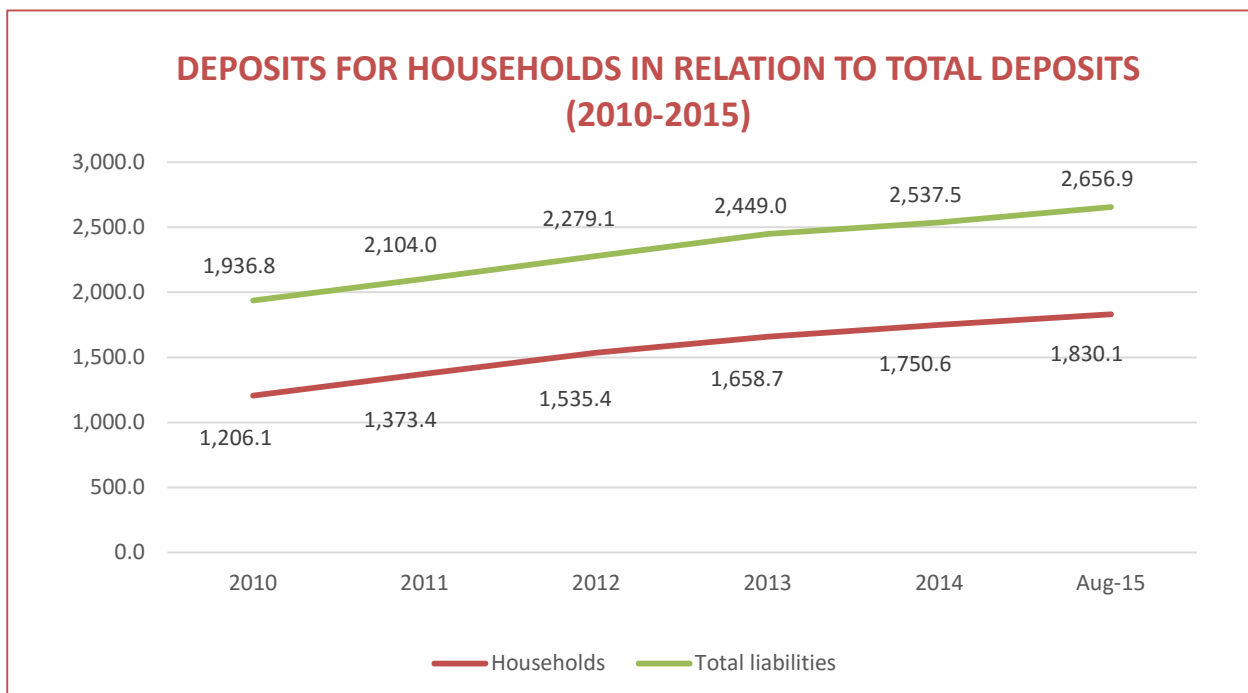


Fig.3 | Source: CBK – Deposits of other depository corporations by original maturity

The approximately same growth of deposits for households in relation to total deposits can be seen in Figure 3, where the upward trends for both the categories are shown.

A significant part of the total structure of deposits is comprised of deposits from other non-financial corporations which comprise 16.7% of total deposits, followed by deposits that are denominated in other currencies, non-resident deposits and so on.

STRUCTURE OF DEPOSITS BY MATURITY IN THE BANKING INDUSTRY



The structure of deposits by maturity in the banking industry is of great importance, since through deposits which constitute the majority of bank revenues in Kosovo, lending to citizens of the Republic of Kosovo is enabled. The longer the deposits are deposited in the banking industry, the longer will the customer lending be.

THE STRUCTURE OF DEPOSITS BY MATURITY IN THE BANKING INDUSTRY (2010-2015)						Million Euro
Description	2010	2011	2012	2013	2014	Aug-2015
Transferable deposits	625.9	643.5	696.4	825.0	1,123.0	1,330.2
Saving deposits	315.0	315.1	326.6	373.8	513.0	529.5
Time deposits	889.9	1,023.8	1,139.8	1,115.3	790.5	681.2
Total liabilities	1,830.8	1,982.4	2,162.8	2,314.1	2,426.6	2,540.9

Tab. 3 | Source: CBK – Deposits of other depository corporations by original maturity

Table 3 shows the balance of deposits in the banking industry over the years, which can be seen, that in August 2015 the main part of deposits are transferable deposits that constitute 52.4%. These types of deposits are available for use by bank clients and can be used for continuous circulation. The second group of deposits is comprised of time deposits with 26.8% participation, while the third is comprised of savings deposits with 20.8% participation.

The composition structure of deposits by maturity has not been the same over the years, as shown in Table 3. More details on the changing structure based on the movement trends are presented in Figure 4.

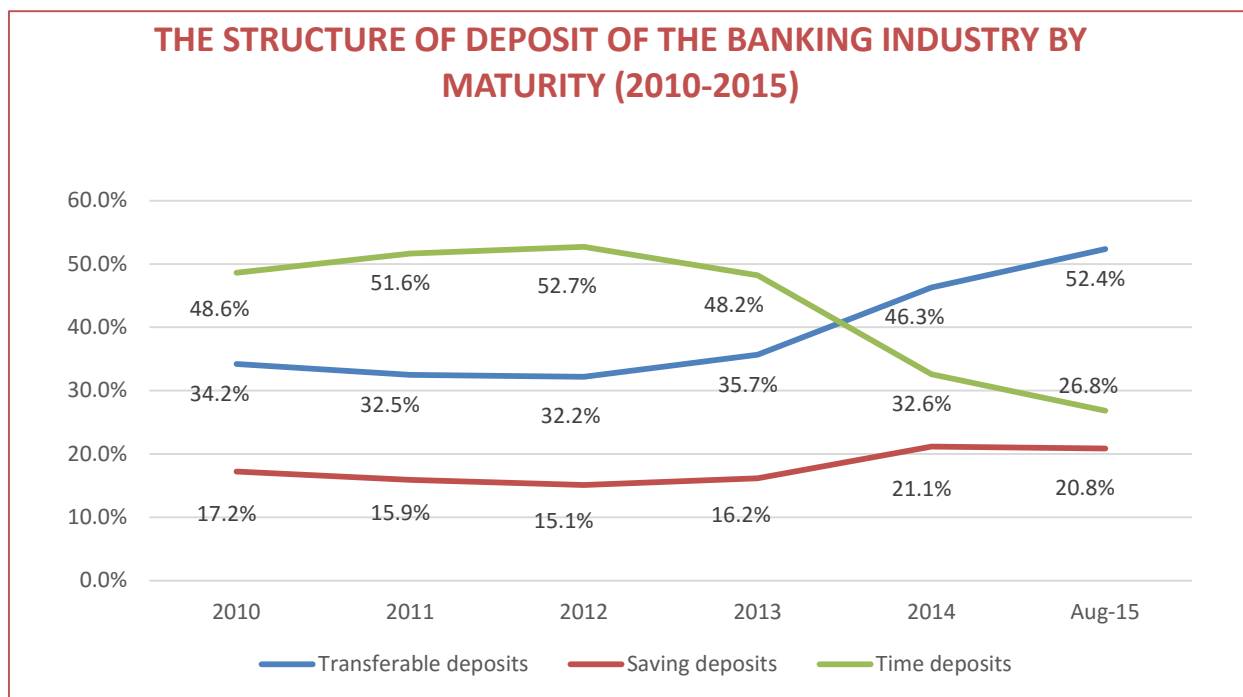


Fig. 4 | Source: CBK – Deposits of other depository corporations by original maturity

In 2010, time deposits accounted for the main group of deposits by maturity with 48.6% share, a participation rate which dropped to 26.8% in August of 2015. This change in time deposits is mainly reflected in transferable deposits shifting from 34.2% in 2010 to 52.4% in August 2015. This transfer can also be reflected as a result of lower interest rates on time deposits, since the banking industry in Kosovo has followed international fluctuations, whereas deposit interest rates in many Western European countries have decreased.

RATIO BETWEEN LOANS AND DEPOSITS IN THE BANKING INDUSTRY

In order to maintain the liquidity of the banking industry, banks should be prepared to cover all liabilities that may arise at any time. In this case, it is important that the banking industry carefully manage the ratio between deposits which it possesses within its portfolio and on the other side, loans issued to customers.

RATIO BETWEEN LOANS AND DEPOSITS (2010-2015)						Million Euro
Description	2010	2011	2012	2013	2014	Aug-2015
Deposits	1,936.8	2,104.0	2,279.1	2,449.0	2,537.5	2,656.9
Loans	1,458.7	1,698.1	1,763.4	1,805.8	1,882.4	1,985.1
Ratio	75.3%	80.7%	77.4%	73.7%	74.2%	74.7%

Tab. 4 | Source: CBK – Balance sheet of other depository corporations

The ratio between loans and deposits is shown in Table 4, where it can be seen that over the years, the banking industry has not exceeded eighty percent; thus, providing security and financial stability. In August of 2015, this ratio is at the level of 74.7%

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BANKING PERIODIC - SEPTEMBER 2015

FINANCE FAIR KOSOVA 2015

HISTORY OF THE FINANCE FAIR

Kosovo Banking Association in collaboration with its members and various partners organized the Finance Fair for the first time in 2005. Initially, it was organized every two years, while since 2011 the Finance Fair is organized annually by the Kosovo Banking Association. The Finance Fair was organized for the eighth time this year.

The Finance Fair aims to create and expand contacts between financial institutions, businesses, donor agencies in this area and potential investors by identifying best practices of cooperation that can push the development of the financial sector and economic development forward in Kosovo. Each Finance Fair organized aims at treating specific issues of the sector, bringing all relevant institutions in one place aiming to address the challenges and problems facing the sector.

Finance Fair also aims to facilitate the promotion of various financial services, namely services that are new and not very popular among visitors and that can be very useful for businesses in particular.



Finance Fair features several parallel activities:

Exposure - represents only one of the main parts of Finance Fair during the two full working days, where the financial industry has the opportunity to present its products and services, but at the same time to communicate with different stakeholders, including: individual clients and businesses, regulators and legislators, the media and international organizations as well as potential future employees.

Conferences / Forums - organized simultaneously with the Finance Fair exposure during the two days of the fair. Each year particular topics, part of the agenda of the financial sector are treated and discussed. Through these events, it is aimed to gather all the relevant stakeholders of the financial industry in one place to discuss the challenges of this sector, where panelists share their experiences with each other, their commitment and contribution to the topics that are selected depending upon the interest of the industry.





Events – workshops or various meetings are organized during the Finance Fair which also aims at providing financial literacy to various segments of society. So far, various workshops were organized, including: workshops with students, workshops with certain sectors of industry (i.e. accountants, businesses selling petroleum products, etc.), workshops with journalists etc.



FINANCE FAIR 2015

The Finance fair 2015 opening ceremony was conducted on September 29th, 2015 at the Pallati i Rinisë (Youth Center) and continued on September 30th. In opening the fair, the opening speeches were made by Mr. Bedri Hamza, Governor Central Bank of the Republic of Kosovo, Mr. Ilir Aliu, Chairman of the Board of Directors of the Kosovo Banking Association and also the Executive Director of ProCredit Bank, and Mr. Petrit Balija, Executive Director of the Kosovo Banking Association.

In their opening statements, the annual organization of the Finance Fair by the Kosovo Banking Association was evaluated as very successful. The role of the financial system in supporting the country’s economic development has improved further in the last period, mainly due to developments within the banking sector activity. Lending of the banking sector continued to pursue a significantly faster trend growth. Moreover, in the introductory speech by the Central Bank of Kosovo it was noted that this institution continues to support the further development and increasing efficiency of the financial system of the country, by working on the development and improvement of infrastructure and financial regulations that allow for a healthy development of the financial system and promotion of an increased competition in the financial system through the licensing of new stakeholders.



Within the Finance Fair of this year various companies were exposed in Pallati i Rinisë, including: banking institutions, microfinance institutions, insurance companies, local public agencies, educational institutions, international organizations and consulting companies.



During the Finance Fair 2015 a sweepstakes (lottery) was organized with the objective to promote and increase the number of visitors to the fair and reward them in gratitude as clients of financial institutions. The sweepstakes was located in the Pallati i Rinisë hall during the two days of the Finance Fair 2015. All the fair visitors who managed to collect at least 15 brochures of the exhibiting companies at the fair were qualified to enter the sweepstakes. The withdrawal of three individual prizes from KBA was done through the program "Time for Finance" within the television "Kohavision".



In this event, Kosovo Banking Association was supported by the General Sponsors: Banka Ekonomike, Bank Kombetare Tregtare, Banka per Biznes, Is Bank, NLB Prishtina, ProCredit Bank, Raiffeisen Bank and TEB - Economic Turk Bankasi - TEB. Finance Fair 2015 was also supported by the media sponsor Telegrafi.

PANEL DISCUSSION DURING THE 2015 FINANCE FAIR

Within the Finance Fair 2015 the conference was organized during the second day, where the panel was represented by the financial sector in Kosovo, international institutions and important public institutions of Kosovo. The topics and sub-topics of the panel discussion were:

Financing Progress in Kosovo

- Financing Agribusiness in Kosovo
- Kosovo Credit Guarantee Fund
- Overall barriers for access to finance for small and medium enterprises

The conference was chaired by the Executive Director of the Kosovo Banking Association, Mr. Petrit Baliqi who led the comprehensive panel discussion sessions.



The Panel Conference of the Finance Fair 2015 was comprehensive and consisted of eight panelists including: Fehmi Mehmeti - Deputy Governor of the Central Bank of Kosovo (CBK), Jan Peter Olters - World Bank representative for Kosovo, Ilir Aliu - Chairman of KBA and Executive Director of ProCredit Bank, Memli Krasniqi - Minister in the Ministry of Agriculture, Forestry and Rural Development, Robert Wright - Vice Chairman of the Board of KBA and CEO at Raiffeisen Bank, Michael Gold - Executive Director of the Crimson Finance Fund and representative of the Kosovo Credit Guarantee Fund, Safet Gërxhaliu - President of Kosovo Chamber of Commerce and Adem Selmani - Executive Director of the Association of Insurance companies.



Finally, from the point of view of the regulator and supervisor it was estimated that:

(i) there is considerable capacity and space associated with the acceleration of market support through mortgage financing, especially for residential but also commercial;
(ii) there are a number of preconditions that show mortgage market financing has reduced financing costs, as follows:

- lowering the cost of resources of funds for banks;
- reduction of credit risk through private enforcement;
- continuous reduction of non-performing loans;
- better quality of new loans;
- stable condition of the banking sector;
- stable liquidity position;

(iii) banks should treat more balanced sector financing through long-term funding accelerated growth, respectively financing of agriculture as an important sector - including longer grace periods;
(iv) agriculture should be promoted more by relevant institutions, in this case various economic chambers through advocacy in order to institutionalize their support in developing reasonable business plans, as well as drafting adequate financial statements;
(v) while for regulators and supervisors, a legal infrastructure must be created in order to accelerate the support in funding these two sectors.



In opening the conference the Chairman of KBA gave a general presentation on the key indicators of the financial sector and banking industry in particular. In Mr. Aliu's presentation, it was reflected that the banking industry has recorded positive values in all its key indicators, becoming the bearer of many developments and thus economic development in Kosovo. By the end of June 2015, the banking industry accounted for 69.1% of the total financial system, while the total value of loans issued by the banking industry accounted for more than 2 billion Euros. Deposits reached 2.5 billion Euros, which means that the ratio between loans and deposits remained stable at the rate of 77.9%.

In the presentation, it was well noted that the banking industry has been able to manage non-performing loans very well, since in June 2015 this percentage was 7.2%, a lower share compared to the previous two years when this percentage was 8.7% (2013) and 8.2% (2014). The percentage of non-performing loans is the lowest compared to all other countries of the region.

Among the greatest achievements of the banking industry in 2015 was estimated to be the reduction of the effective interest rate, which in June 2015 was reported to have reached 7.6%, a share which is significantly lower than the prior periods. The gap or the ratio between the interest rate for loans and deposits has continuously declined every year.

The opening of the conference also emphasized the banking industry profit generated through the years, which is a key condition for a stable sector and was estimated that profit growth in recent years is a direct result of the reduction of expenses, especially non-interest expenses. The presentation also included information on electronic services and their comparison to other regional countries, such as the use of debit and credit cards, access to ATMs and points of sale, and use of e-banking, where it was estimated that Kosovo is not inferior compared to other regional countries, while in some cases it even exceeds some countries in terms of their usability and accessibility.





The representative from the Ministry of Agriculture values agriculture as a sector of particular importance and as such should be treated by all other stakeholders, as this sector represents one of the few opportunities to increase production and the welfare of citizens by reducing the huge gap created between imports and exports. This sector contributed about 1% to the overall economic growth and participates with 12-13% in gross domestic production based on official data and projections published. It was also stressed that agriculture represents approximately

12% of total exports that Kosovo exports. In this sense, the Ministry of Agriculture has contributed to this development through the provision of grants and subsidies amounting to 43 million Euros (23 million in the form of subsidies and 20 million in the form of grants) that are expected to generate a profit of 35 million Euros. The Minister appreciates the fall of interest rates on loans, but emphasizes that interest rates remain at double-digit levels, even in cases where the farmer is the recipient of grants from the government. Ministry of Agriculture estimates that only 4% of total loans of the banking industry comprise loans issued to agriculture, while of these loans the agricultural sector represents the lowest rate of non-performing loans in relation to the overall average. Furthermore, the processing initiative of the Assembly for approval of the Credit Guarantee Fund Draft Law that is expected to cover the risk by up to 50% of the collateral was highly appreciated; which means that through this fund the banking industry will be able to increase lending to the agricultural sector and at the same time reduce the risk estimated to support this fund.



The Representative of the Kosovo Chamber of Commerce (KCC) considered the developments within the banking industry as very positive, since

it has made actual steps towards the reduction of loan interest rates. According to him, the main challenges are the barriers that businesses in Kosovo face and are very important in the further development. The main barriers relate to the rule of law, namely the difficulties of the justice system in enforcing contracts. More specifically, a challenge in the banking industry is the issue of ownership clarification, where the government needs to work more in this direction.

As for the banking industry the representative from KCC suggested more awareness campaigns with educative character with regards to the improvements that have been made, in order to change the approach of businesses so that these businesses work more on their performance rather than the profit made by banks.



Representatives of the banks on the panel estimated that the total loans issued to the agricultural sector range from 85-100 million Euros, while the percentage of non-performing loans for these loans is approximately 4%. This low percentage of non-performing loans shows the success of the banking industry in the due diligence they have shown for this sector, preventing the share of these loans to increase. Also, the effective interest rates for

agricultural loans are not high, 10.5%, which means that there are loans provided to the agricultural sector with lower rates, i.e. below the double-digit level. Issuance of loans to the agriculture sector does not solely depend on the banking industry, but rather it depends on demand, so the more demands that meet the conditions set by the banking industry for the sector, the larger the loan portfolio will be. The banking industry is flexible in terms of determining the conditions of the collateral, the grace period or other criteria. Today, all commercial banks that operate in Kosovo offer agriculture financing as a service or product. Some of the barriers that the banking industry encountered with businesses in the agricultural sector is inadequate bookkeeping (do not have financial statements/ financial data) through which the company would be assessed in terms of turnover and profit, landowners are not identified exactly and have no certificates of ownership, small plots of land that have developed their activity mainly through informal channels, inaccurate population census, lack of addresses and many other barriers.



The World Bank Representative for Kosovo stressed that along with the banking industry, the insurance sector is also an aspect that can contribute more to the financing of agribusinesses. By insuring agricultural crops against natural disasters, it would be possible to reduce the risk premium and hence obtain lower interest rates. An important aspect is that businesses, especially those in agriculture should be more innovative and have affirmative action, in order to become attractive for funding, which will indirectly also increase the funding requirements for the agricultural sector.

The insurance sector representative informed the participants that currently there are only two companies in the insurance sector which are licensed from the Central Bank of Kosovo to insure agricultural crops. So, in this context, insurance companies have not been fully supported by other partners. As a sector, agriculture has potential and can be developed even more, always in cooperation and participation of all stakeholders such as banks, insurance companies, the Ministry of Agriculture and other stakeholders. Hence, enhanced cooperation is crucial. One of the problems identified by the insurance companies is that agriculture is more developed in the traditional level and is not very attractive, even insurance demands are low, if at all.





The Representative of microfinance and credit guarantee fund estimated that to improve the credit portfolio for the agricultural sector, real estate valuations should be improved in order to identify the market price for the real estate. This would enable the banking industry or even microfinance institutions to have a clearer idea of the value of the asset to be funded. The second important issue that could affect the growth of agricultural lending would be the improvement of contract enforcement in the field of justice, since, as we all know that courts do not have a deadline to the resolution of litigation cases, causing delays and non-compliance with contracts due to non-implementation of the law.

At the end of the panel, it was estimated that the Central Bank of Kosovo will seek to make property insurance mandatory after the approval of the draft law on insurance through secondary legislation that is expected to be approved. The Ministry of Agriculture promised that since two insurance companies are licensed by the Central Bank of Kosovo to insure agricultural crops, it will begin to subsidize the insurance costs up to 50%, rather than subsidizing the agricultural crops directly. Furthermore, Minister Krasniqi pledged that the Ministry of Agriculture is eager to subsidize premiums to farmers for insuring their properties and agricultural products. What is necessary at this point is to have adequate services offered by the insurance institutions and have farmers ready to sign such insurance contracts. Minister Krasniqi's offer was valued as very positive and something concrete that can be implemented in the near future.

Ultimately, it was estimated that the Kosovo Credit Guarantee Fund will play a crucial role in the further development of financing not only the agricultural sector but also start-up businesses and small businesses. Initially, this fund is expected to ensure up to 20 million Euros, while in the longer term plan it is expected to ensure loans of up to 300 million Euros, which encompasses a complete portfolio of a major bank in Kosovo.



TENTH ANNIVERSARY OF THE KBA TRAINING CENTER



Festojme 10 vjet sukses
Celebrating 10 years of success

On September 30th, 2015, the Kosovo Banking Association organized a festive ceremony in honor of the 10 years of successful operation of the Training Center. The ceremony also marked 10 years of collaboration with KBA's partner in Luxembourg, the Financial Technology Transfer Agency (ATTF).

Participants came from member banks, the World Bank, IFC, the Luxembourg Embassy in Kosovo, ATTF from Luxembourg and other guests who have been contributors or beneficiaries of the Training Center during these 10 years. During these 10 years, over 264 trainings were held at KBA in which over 3,000 people have attended at least one training.

During the ceremony, the Manager for Training and Development, Arben Salihu, thanked all the participants and those who were unable to attend and added that he is proud of the work that has been done and "... to think that we have had a positive impact on the lives and the work of over 3 thousand people is something to be proud of".

KBA Executive Director, Mr. Petrit Balijsa, spoke on the importance of training and the positive impact by thanking all collaborators and staff for the wonderful job.

ATTF Business Manager, Mr. Ben Lyon, thanked KBA for the very good cooperation over the years and pledged greater cooperation in the coming years. While, the Charge d' Affaires at the Embassy of Luxembourg said a few words about the contribution of his Government in Kosovo, not only in finance but in other areas as well, adding that Luxembourg is very interested in the developments in Kosovo and to see more progress.

After the speeches, certificates of gratitude were distributed to all partners and contributors of the Training Centre over the years; to then follow up with a cocktail.



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BANKING PERIODIC - OCTOBER 2015

THE EFFECTIVE INTEREST RATE OF THE BANKING INDUSTRY

THE EFFECTIVE INTEREST RATE OF THE BANKING INDUSTRY

The banking industry in Kosovo has reached the highest value of loans ever recorded of 1,993 million Euros issued to Kosovo's economy as of September 2015, while deposits amounted to 2,656 million Euros by the end of September 2015. Like any other business operating in Kosovo, the banking industry has also faced difficulties and different challenges during its activity, which has made the level of risk in the market in which it operates to be considered high. However, recent years have marked improvements in this regard and trends indicate that interest rates on loans with a faster trend over the past years have been decreasing to the extent that are more suitable for businesses and households in Kosovo. This has made Kosovo be comparable with countries in the region regarding this aspect and be in line with average rates of these countries. If the decreasing trend continues, then Kosovo could have among the lowest rates in relation to these countries.

The effective interest rate represents the exact rate of interest earned in the cases of funds deposited in the form of deposits. It can be referred to as market interest rate or as interest earned in relation to the term. So, it presents the total income earned from interest on funds deposited. While in terms of loans, the effective interest rate represents the total cost of expenditure that the customer must pay for a loan obtained from financial institutions. Hence, it includes the nominal interest rate, administrative expenses, and all other costs associated with the loan.



Source: images.google.com

In Kosovo's banking industry, these interest rates on loans as well as deposits have marked constant fluctuation, especially in the past two years. Trends of these fluctuations can be seen in the following headings.

THE EFFECTIVE INTEREST RATE ON LOANS

The effective interest rate on loans, especially in the past two years has dropped significantly, reaching for single digits for the first time by the end of 2014. The same decreasing trend continued in 2015, marking its lowest value of only 7.63% in June 2015.

EFFECTIVE INTEREST RATES ON LOANS (2010 - SEPTEMBER 2015)						
Description	2010	2011	2012	2013	2014	Sep-2015
Overdraft	12.65%	11.84%	10.26%	9.36%	9.49%	7.54%
Credit lines	13.27%	12.12%	11.37%	11.03%	11.76%	9.46%
Consumer loans	14.56%	14.02%	12.37%	11.69%	9.11%	8.79%
Mortgage loans	11.20%	11.76%	10.00%	9.72%	7.88%	7.01%
Loans with favorable conditions	7.71%	7.74%	6.30%	5.68%	2.76%	5.41%
Other loans	14.14%	13.09%	12.35%	10.75%	9.56%	7.58%
Agriculture	21.90%	21.35%	17.29%	13.88%	11.32%	9.80%
Industrial	14.94%	12.67%	13.22%	10.97%	8.87%	7.45%
Service	13.83%	13.21%	11.88%	10.53%	9.99%	7.37%
Effective rate on total new loans	13.97%	13.30%	12.24%	10.90%	9.29%	7.90%

Tab. 1 | Source: CBK – Effective interest rates on loans (November 2015)

As seen from Table 1, the effective interest rates at the end of September 2015 compared to the end of 2010 have decreased significantly, which is a very large reduction compared to five years ago. This reduction is the result of many factors, but in particular due to improving environment for doing business, such as the work initiation of private enforcers, but also as a result of reduced costs of the banking industry and its reflection in reducing Interest rates on loans. Within the different sectors of the economy in Kosovo, it may be noted that for the first time single digits have been marked on interest rates for agricultural loans, a sector that is considered very important in economic development of the country, but also in the reduction of the gap in the trade balance of the country.

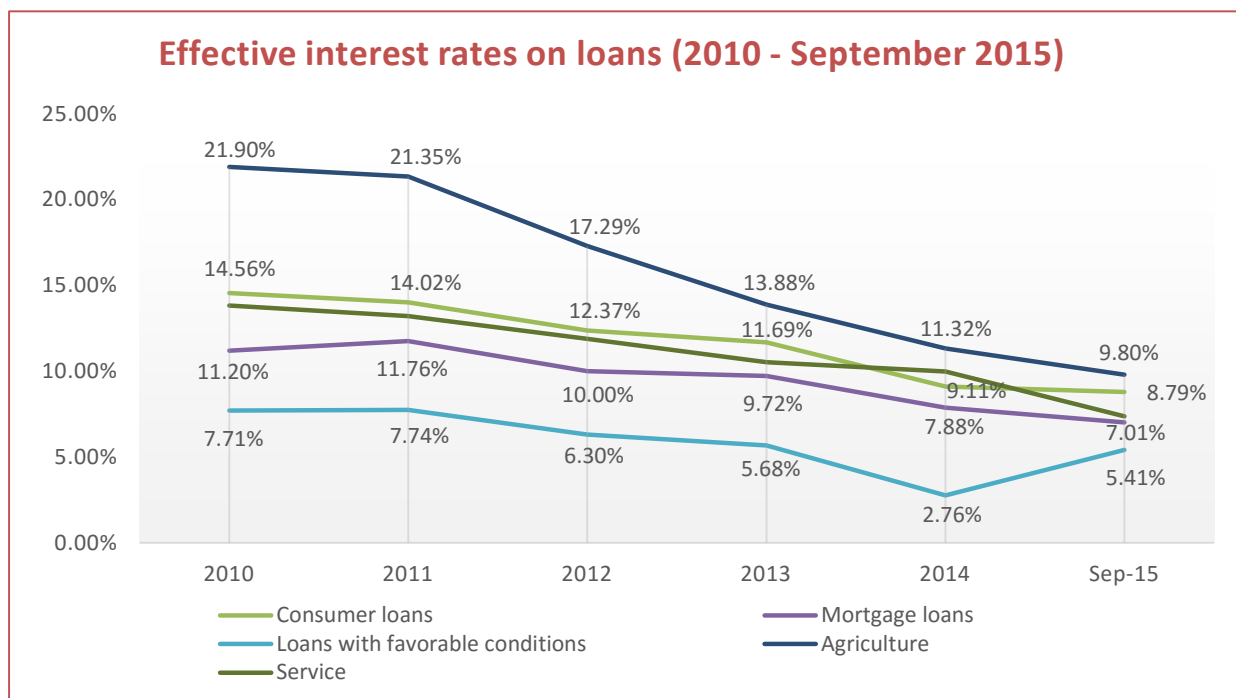


Fig. 1 | Source: CBK – Effective interest rates on loans (November 2015)

In Figure 1 we can see the trend of all types of loans issued to different sectors which have recorded continuous declining trends in the interest rates, in which case the largest decrease was recorded in the past two years. It is important to assess that all loans issued to various sectors taken for comparison have single digit effective interest rates at the end of September 2015.



Source: images.google.com

EFFECTIVE INTEREST RATES ON NON-FINANCIAL CORPORATION LOANS (2010 - SEPTEMBER 2015)						
Description	2010	2011	2012	2013	2014	Sep-15
Overdraft	12.65%	11.38%	10.20%	9.36%	9.35%	7.26%
Credit lines	13.27%	12.12%	11.37%	11.03%	11.76%	9.46%
Loans with favorable conditions	7.62%	8.02%	5.53%	5.97%	2.24%	2.88%
Other loans	14.11%	13.04%	12.34%	10.75%	9.56%	7.54%
Agriculture	22.44%	21.13%	17.59%	13.88%	11.32%	9.28%
Industrial	14.94%	12.67%	13.22%	10.97%	8.87%	7.45%
Services	13.83%	13.21%	11.88%	10.53%	9.99%	7.37%
Effective rate on total new loans	14.11%	13.04%	12.34%	10.75%	9.56%	7.54%

Tab. 2 | Source: CBK – Effective interest rates on loans (November 2015)

There is a relatively same trend of effective interest rates for loans issued only to non-financial corporations, which in the narrow sense means the loans issued to legal entities. This can be seen from Table 2, where the average effective interest rate for such loans at the end of September 2015 marked the value of 7.54%, which is below the general average of loans issued (7.90%).

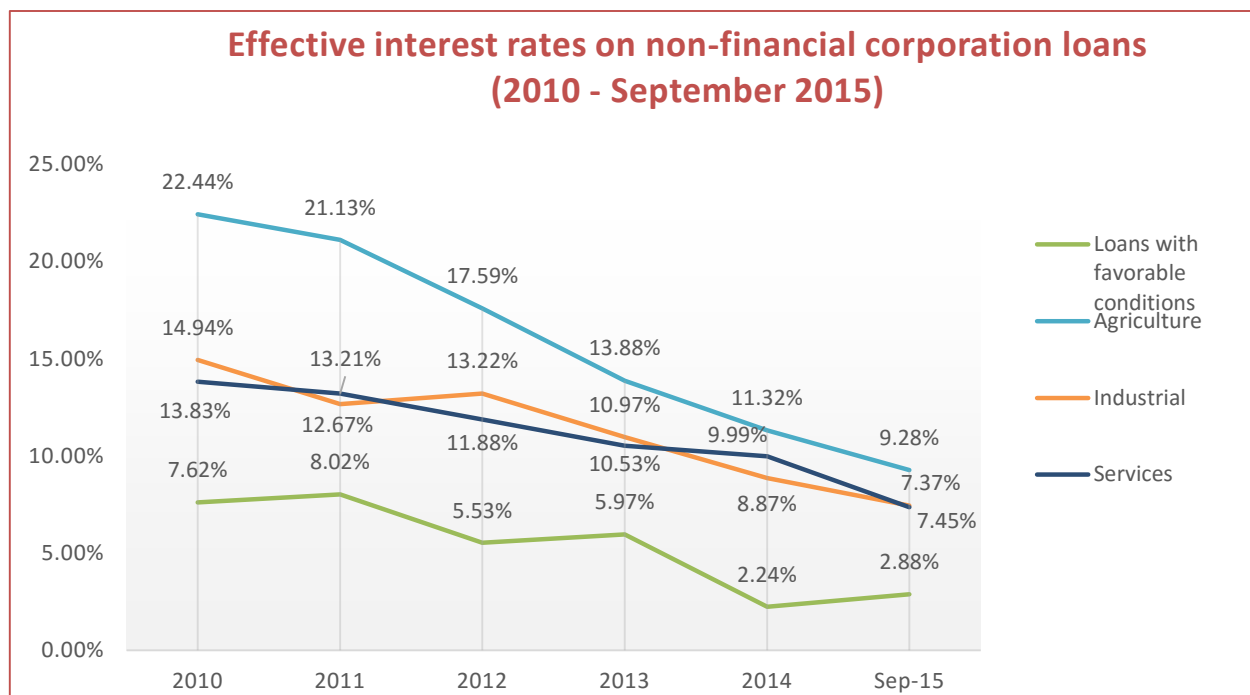


Fig. 2 | Source: CBK – Effective interest rates on loans (November 2015)

Just like the overall average effective interest rate on total loans, the effective interest rate on loans to non-financial corporations' marked a decline over the past five years for all sectors taken for comparison as well, in which case at the end of September 2015 all have a single-digit value. Even agricultural loans to non-financial corporations have a lower level than the overall average for total agricultural loans (9.8%), which recorded a value of 9.28%.

EFFECTIVE INTEREST RATES ON LOANS TO HOUSEHOLDS (2010 - SEPTEMBER 2015)						
Description	2010	2011	2012	2013	2014	Sep-15
Overdraft		16.44%	11.82%	14.88%	12.92%	12.30%
Consumer loans	14.56%	14.02%	12.37%	11.69%	9.11%	8.79%
Mortgage loans	11.20%	11.76%	10.00%	9.72%	7.88%	7.01%
Loans with favorable conditions	7.76%	7.56%	6.83%	5.37%	3.15%	6.18%
Other loans	19.95%	21.35%	15.04%		14.43%	13.00%
Agriculture	19.95%	21.35%	15.04%		14.43%	13.00%
Effective rate on total new loans	13.77%	13.85%	12.00%	11.33%	8.88%	8.48%

Tab. 3 | Source: CBK – Effective interest rates on loans (November 2015)

Table 3 shows the effective interest rate on loans to households, in which case we can see that even for this category for different types of loans, the rates have dropped sharply. The effective interest rate on total loans to households at the end of September had among the lowest values ever marked by the banking industry, with 8.48%.

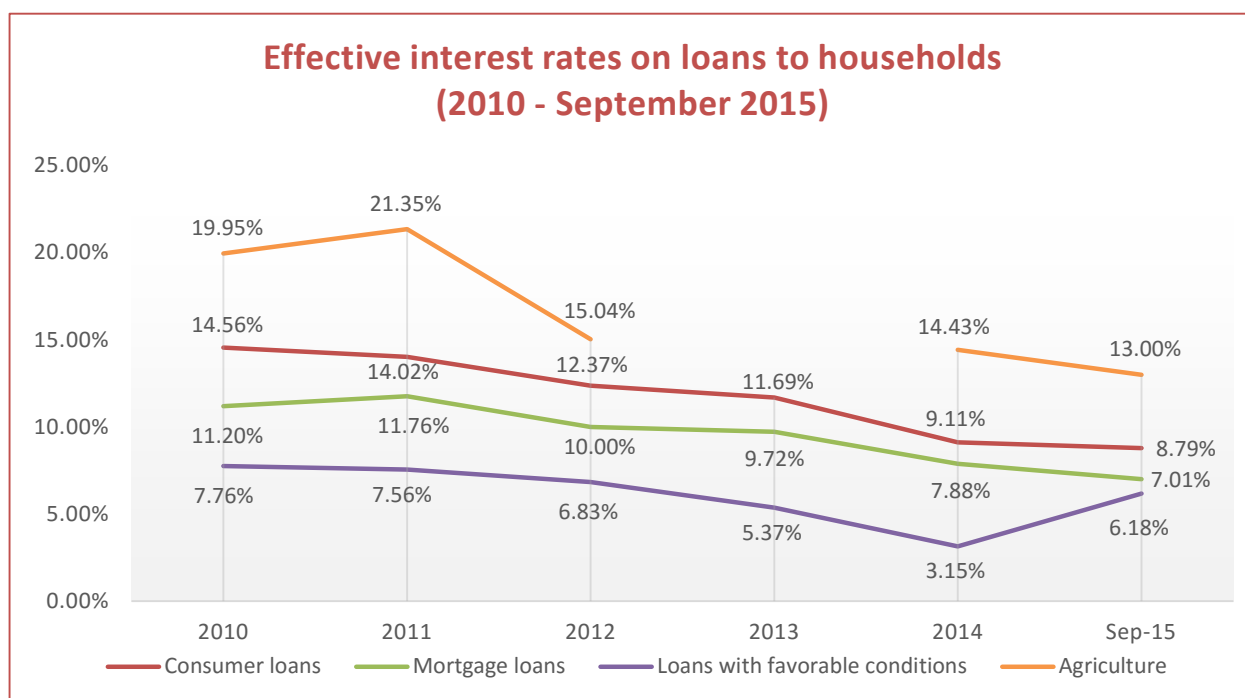


Fig. 3 | Source: CBK – Effective interest rates on loans (November 2015)

The downward trend in the effective interest rates on loans to households can also be seen in Figure 3. Except interest rates for loans with favorable terms, mortgage loans issued to households represent among the lowest interest rates of 7.01% by the end of September 2015.

THE EFFECTIVE INTEREST RATE ON DEPOSITS

The effective interest rates on deposits have also had fluctuations in different periods. With the decline of interest rates on loans, this has also been reflected in deposit interest rates, especially in the past two years. The reduction in interest rates on deposits is mainly reflected in the decline of interest rates on loans, thus stimulating more lending. Table 4 shows all these fluctuations.

EFFECTIVE INTEREST RATES ON DEPOSITS (2010 – SEPTEMBER 2015)						
Description	2010	2011	2012	2013	2014	Sep-15
Transferable deposits			0.67%	0.48%	0.04%	0.03%
Savings deposits			2.07%	1.66%	0.58%	0.30%
Term deposits			3.72%	2.40%	1.11%	0.91%
Effective rate on total new deposits	3.38%	3.62%	3.72%	2.40%	1.11%	0.91%

Tab. 4 | Source: CBK – Effective interest rates on deposits (November 2015)

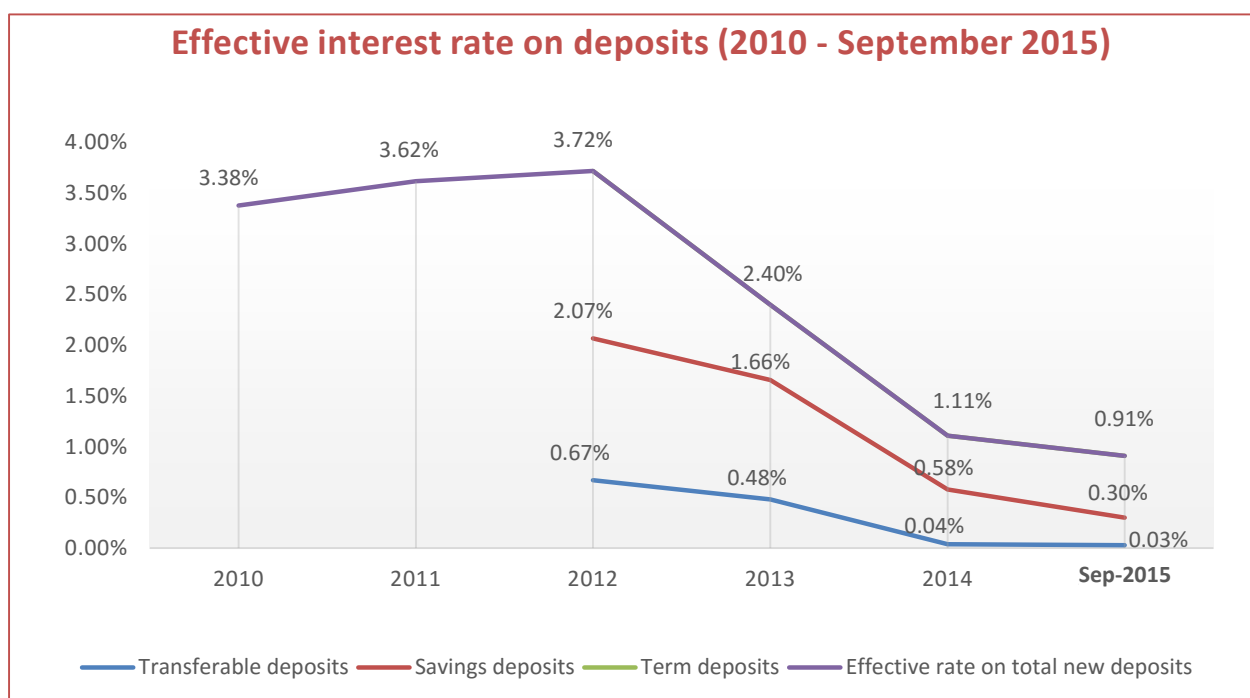


Fig. 4 | Source: CBK – Effective interest rates on deposits (November 2015)

As shown in Figure 4, the effective interest rates on deposits from 2010 to 2012 have increased slightly, while from 2013 until the end of September 2015, they have decreased significantly. From Table 4 presented, it can be seen that the rate of interest earned on deposits in current accounts is too small. This decrease in interest rates is a result of global international trends, where in some western countries some banks have started implementing interest (negative interest) for the deposits that customers deposited in the bank. This is also made in order to reduce financing costs.



The interest rates on deposits of non-financial corporations have had the same declining trend, as seen in table 5. In some cases, this percentage is lower than the average interest rate on total deposits listed in Table 4.

Source: images.google.com

EFFECTIVE INTEREST RATE ON NON-FINANCIAL CORPORATION DEPOSITS (2010 - SEPTEMBER 2015)						
Description	2010	2011	2012	2013	2014	Sep-15
Transferable deposits	0.63%	0.86%	0.83%	0.47%	0.10%	0.07%
Savings deposits	2.07%	2.20%	2.15%	1.74%	0.68%	0.10%
Term deposits			3.88%	1.61%	1.64%	0.60%
Effective rate on total new deposits			3.88%	1.61%	1.64%	0.60%

Tab. 5 | Source: CBK – Effective interest rates on deposits (November 2015)

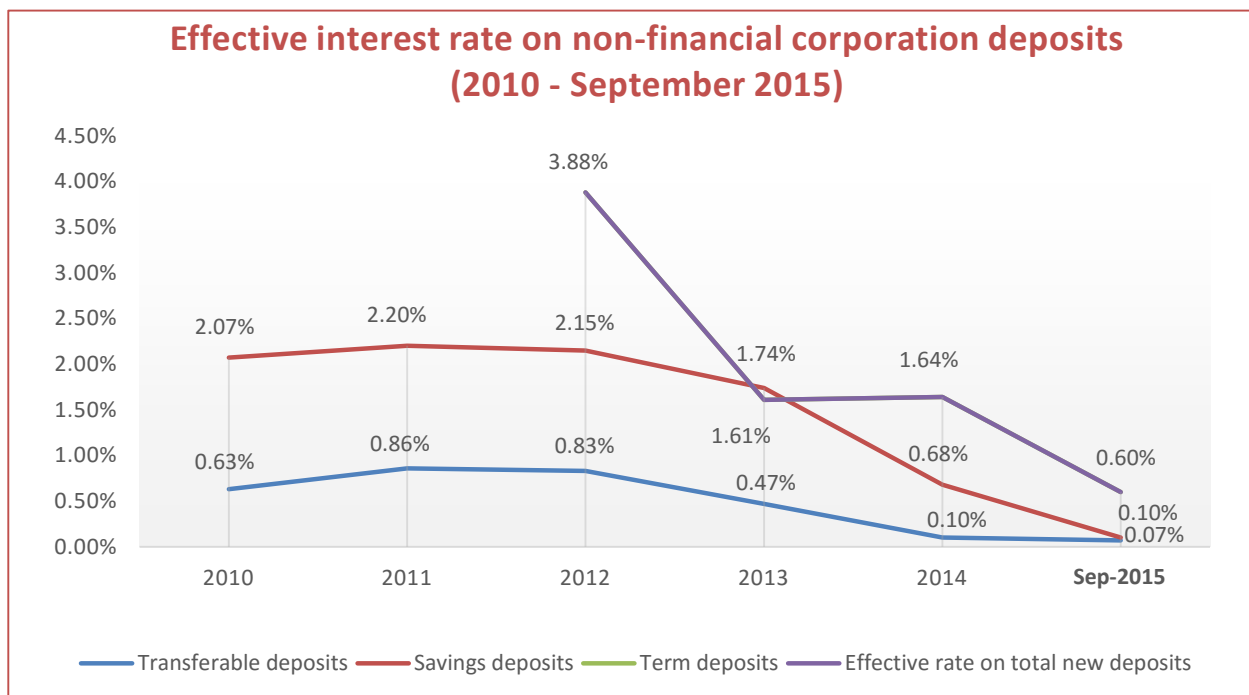


Fig. 5 | Source: CBK – Effective interest rates on deposits (November 2015)

Figure 5 already indicates this trend, in which case the significant reduction of interest rates was recorded mainly in the past two years. Moreover, effective interest rates on deposits for households shown in Table 6 have marked the same fluctuating trend, so the reduction during the past two years.

EFFECTIVE INTEREST RATES ON HOUSEHOLD DEPOSITS (2010 - SEPTEMBER 2015)						
Description	2010	2011	2012	2013	2014	Sep-15
Transferable deposits	0.55%	0.48%	0.54%	0.50%	0.01%	0.01%
Savings deposits	2.21%	2.06%	2.06%	1.66%	0.58%	0.30%
Term deposits			3.66%	2.81%	0.85%	0.91%
Effective rate on total new deposits			3.66%	2.81%	0.85%	0.91%

Tab. 6 | Source: CBK – Effective interest rates on deposits (November 2015)

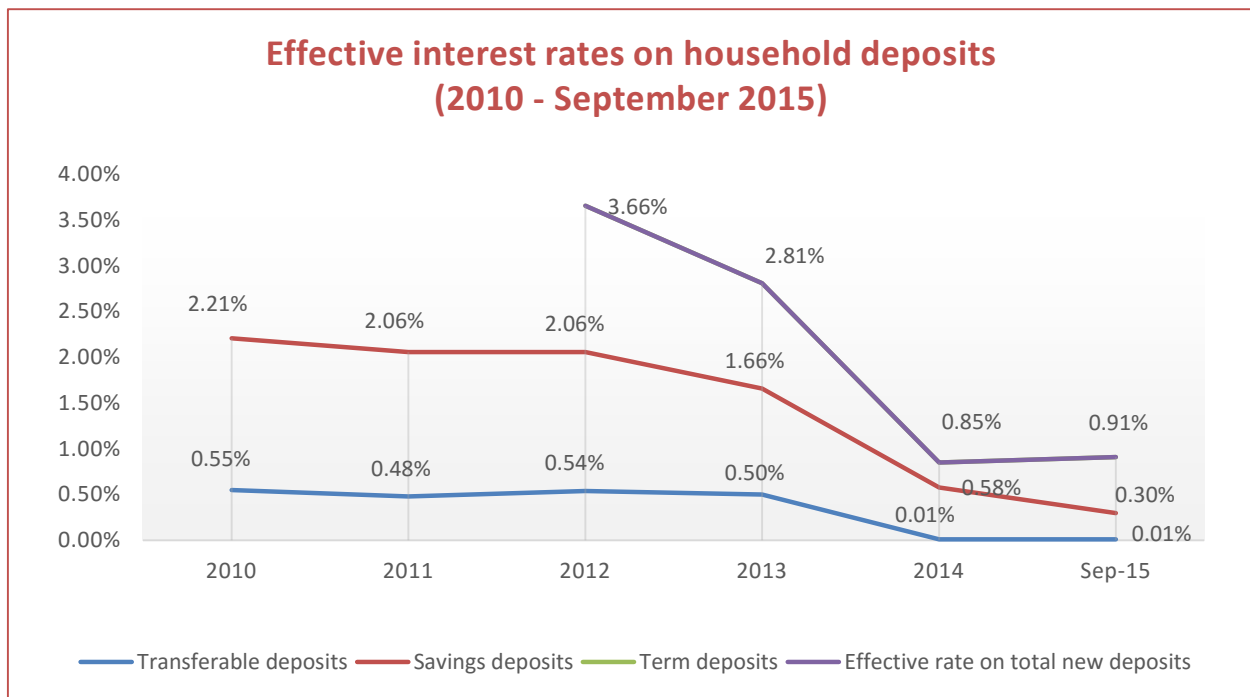


Fig. 6 | Source: CBK – Effective interest rates on deposits (November 2015)

As shown in Figure 6, term deposits have recorded the largest decline from 3.66% in 2010 to 0.91% at the end of September 2015.

THE SPREAD OF THE AVERAGE EFFECTIVE INTEREST RATES

Although interest rates on deposits have decreased, nonetheless, the most significant decrease in the effective interest rates was recorded on loans, making the spread between these two rates decrease continuously.

This fluctuation, namely the reduction of the difference can be seen in Figure 7.

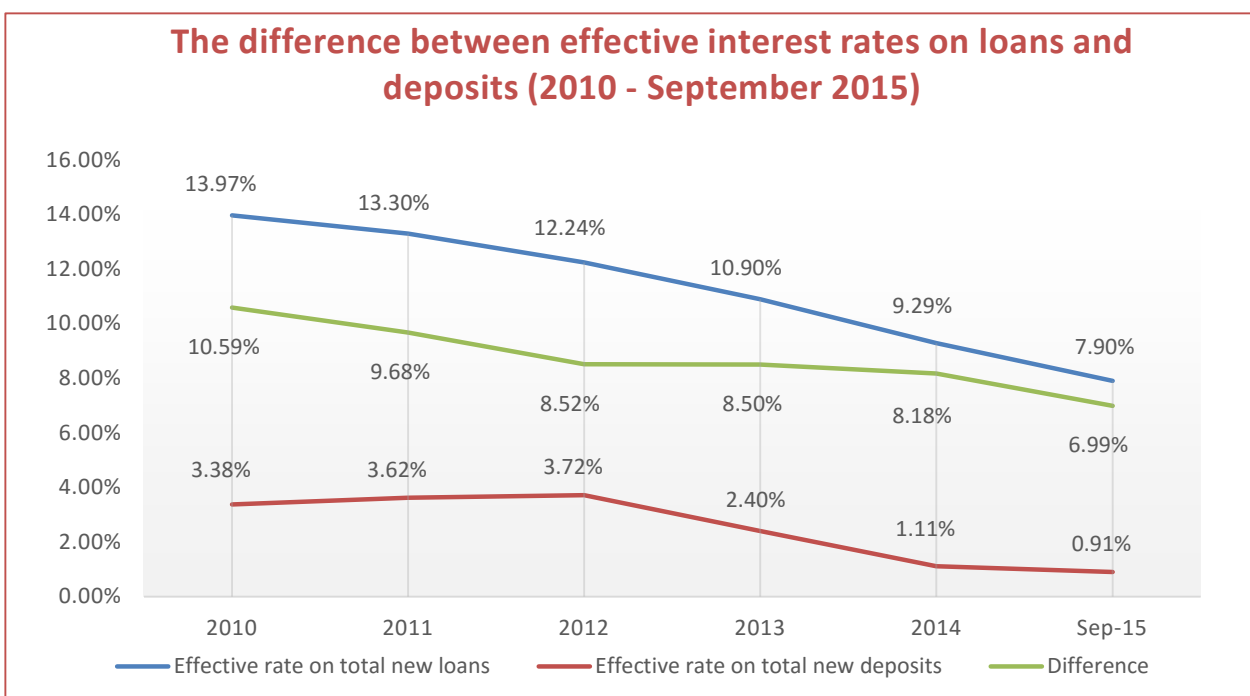


Fig. 7 | Source: CBK – Effective interest rates on deposits and loans (November 2015)

In late September 2015, the difference between interest rates on loans and deposits marked the lowest values since the post-war period reaching 6.63%, from 10.73% as at the end of 2010.

This reduction in the gap, attests to the great commitment that the banking industry has made towards improving the financial offer to all its citizens, in which case the lending process directly affects the economic development of the country. However, it is estimated that improving conditions depends on many factors and not only the banking industry, so in that sense there is still work to be done to further improve the environment of doing business with the aim of creating better conditions.

RATE OF NON-PERFORMING LOANS (NPL)

The good performance of the banking industry especially towards the reduction of interest rates on loans with the purpose of creating and providing the best lending conditions to citizens of Kosovo can be seen from the loan portfolio management of the banking industry in Kosovo. Table 7 shows the fluctuation in the percentage of non-performing loans and coverage that banks have against loan loss.

NON-PERFORMING LOANS - NPL (2010 - SEPTEMBER 2015)						
Description	2010	2011	2012	2013	2014	Sep-15
NPL	5.9%	5.8%	7.5%	8.7%	8.3%	6.8%
Loan loss provision	115.0%	116.7%	112.7%	110.5%	114.4%	116.5%

Tab. 7 | Source: CBK – Annual Report 2014 and 2015 and Financial System Monthly Information Report (- September 2015)

With the added diligence by the banking industry and through its legislation, the Central Bank of Kosovo ensures that banks have provisions for each loan lost, thus being ready at any moment to cover all obligations that can arise from bad loans.

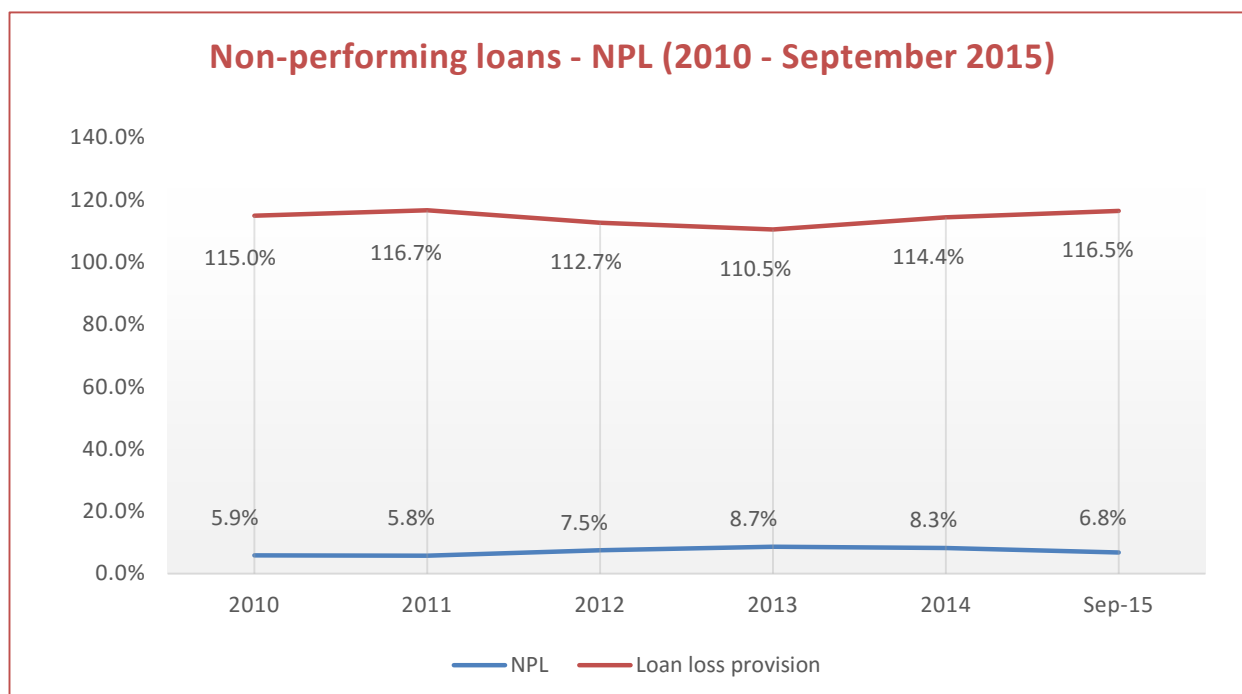


Fig. 8 | Source: CBK – Annual Report 2014 and 2015 and Financial System Monthly Information Report (- September 2015)

Figure 8 shows the fluctuating trend of the percentage of non-performing loans, but also the trend over the loan loss provisioning. In the past two years, non-performing loans have declined significantly, but at the same time presenting the lowest rate in the region, indicating that banks in Kosovo have been very cautious and conservative in terms of risk. This testifies to the security that the banking industry offers and the reliability already established over the years for the citizens, namely its clients.

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BANKING PERIODIC - NOVEMBER 2015

RATIO BETWEEN DEPOSITS AND LOANS

RATIO OF GROSS LOANS AND LEASES TO DEPOSITS

The banking industry in Kosovo has continuously recorded growing values for its two main indicators that are deposits and loans of the industry. These indicators represent two very important factors that represent security, stability and sustainability for the banking industry. The stability and sustainability of the banking industry are of particular importance to the citizens of Kosovo to have credibility towards this industry, trusting their funds/ deposits to this sector to develop its commercial lending activity, but also to develop other related products.

The banking industry in Kosovo has not only recorded increasing values for both these indicators, but it has also managed deposits and loans better, always, by not exceeding the 80% relation of loans issued compared to deposits.

GROSS LOANS IN RELATION TO DEPOSITS (2010-2015)						Million euro
Description	2010	2011	2012	2013	2014	15-Nov
Deposits	1,936.8	2,104.0	2,279.1	2,449.0	2,537.5	2,628.3
Gross loans and lease	1,458.7	1,698.1	1,763.4	1,805.8	1,882.4	2,015.3
Ratio	75.3%	80.7%	77.4%	73.7%	74.2%	76.7%

Tab. 1 | Source: CBK – Balance sheet of other depository corporations (January 2016)

As seen in Table 1, the banking industry in Kosovo has reached the highest value of loans ever recorded of 2,015 million Euros issued by November 2015, while deposits amounted to 2,628 million Euros by the end of November 2015. Like every other business operating in Kosovo, the banking industry has also faced difficulties and different challenges during its activity, which has made the level of market risk in which they operate to be considered higher. However, in recent years, significant improvements have been marked in this respect and despite these challenges, as seen in Figure 1; trends show that deposits and loans are growing continuously.

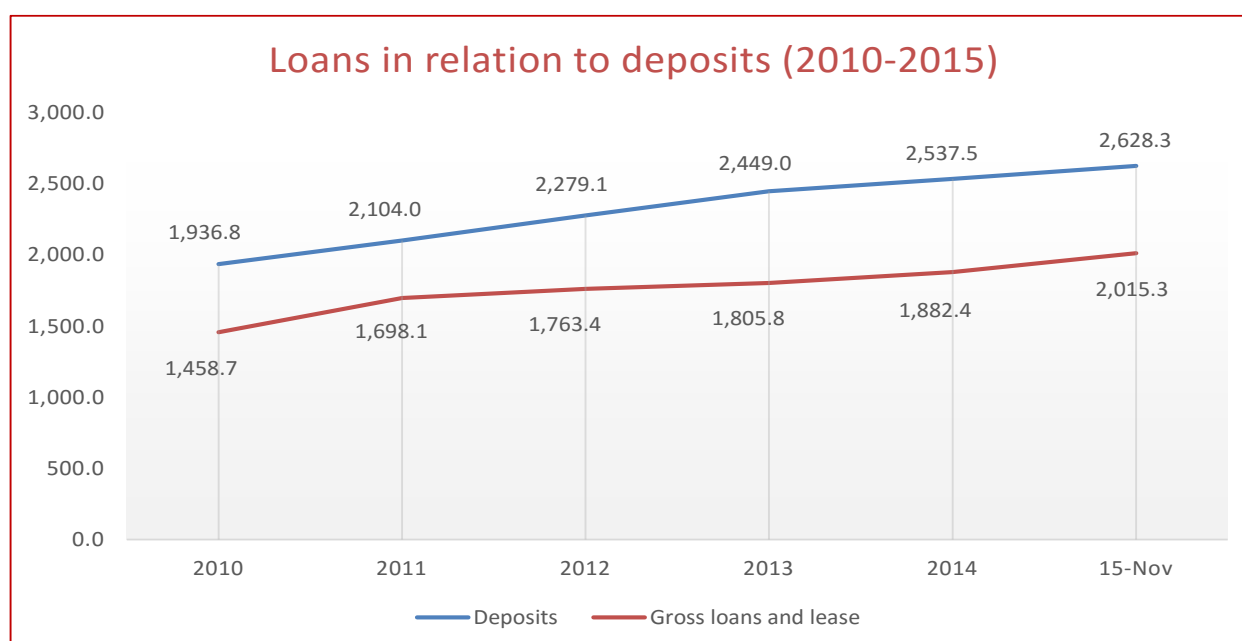


Fig. 1 | Source: CBK – Balance sheet of other depository corporations (January 2016)

Maintaining the 76.7% ratio between loans issued and deposits that the banking industry has in its possession, shows that this industry is liquid and is able to cover all its obligations to the citizens at any time. However, the data and figures presented in the table above represent the gross data for both indicators, while next we will present the data and their ratio in sub-categories.



RATIO OF LOANS TO DEPOSITS OF OTHER FINANCIAL CORPORATIONS, OTHER PUBLIC CORPORATIONS AND OTHER NON-FINANCIAL CORPORATIONS

The ratio of loan and deposit indicators for sub-categories differs significantly compared to gross loans and deposits, since some sectors of the economy have more liquid assets available, while others need more liquid assets, requesting loans from the banking industry, which actually represents the essence of lending, namely the intermediary role that the banking industry performs between these different sectors.

LOANS IN RELATION TO DEPOSITS FOR OTHER FINANCIAL CORPORATION'S (2010-2015)						Million euro
Description	2010	2011	2012	2013	2014	15-Nov
Other financial corporation deposits	98.0	107.6	116.6	86.4	102.0	80.6
Other financial corporation loans	9.9	17.3	19.8	20.4	7.1	8.1
Ratio	10.1%	16.1%	17.0%	23.7%	7.0%	10.0%

Tab. 2 | Source: CBK – Balance sheet of other depository corporations (January 2016)

As shown in Table 2, only 10% of other financial corporation deposits are credited to this economic sector, while the rest of deposits are used for lending to other sectors.

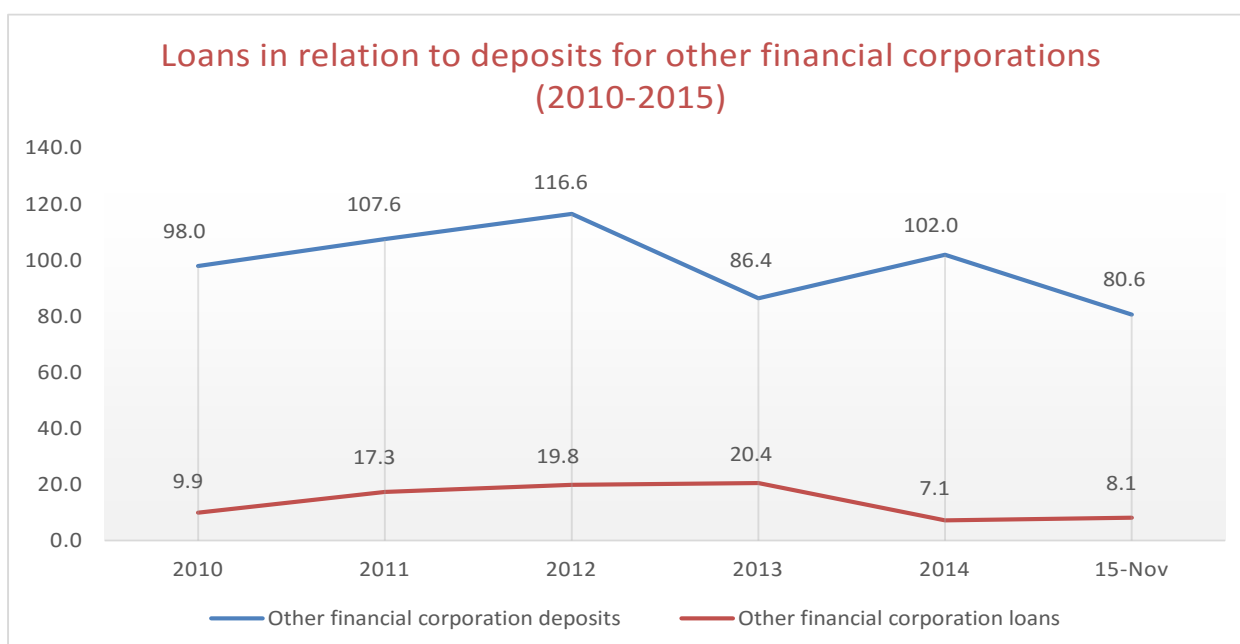
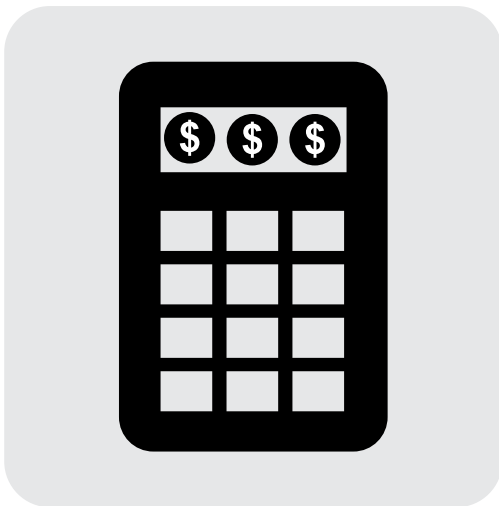


Fig. 2 | Source: CBK – Balance sheet of other depository corporations (January 2016)



Just like deposits, the value of loans has had a fluctuating trend over the years, which doesn't show a very sustainable stability of other financial corporations in the economy of Kosovo; although, the deposit values ranges between 80 to 116 million Euros between the comparative years.

The deposits and loans of other public corporations have an even smaller ratio of loans relative to deposits of the same sector, which can be seen in Table 3 below.

LOANS IN RELATION TO DEPOSITS FOR OTHER PUBLIC CORPORATIONS (2010-2015)						Million euro
Description	2010	2011	2012	2013	2014	15-Nov
Other public corporation deposits	126.6	128.6	75.6	72.1	61.8	36.2
Other public corporation loans	6.3	1.5	1.4	0.2	0.6	0.1
Ratio	4.9%	1.2%	1.9%	0.3%	1.0%	0.3%

Tab. 3 | Source: CBK – Balance sheet of other depository corporations (January 2016)

The ratio between these two indicators was only 0.3% in November 2015.

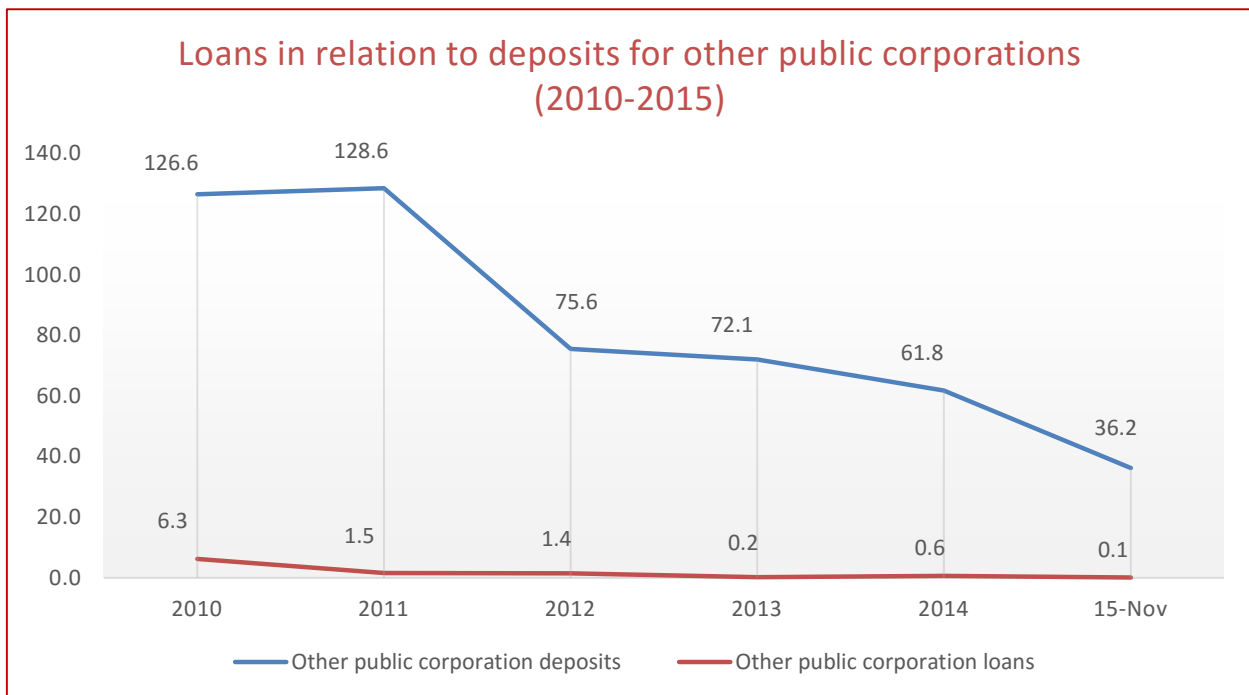


Fig. 3 | Source: CBK – Balance sheet of other depository corporations (January 2016)

Deposits, but also loans have decreased significantly for public corporations which mean that this sector's liquid assets in the banking industry have been reduced. This trend is shown in Figure 3.

The largest part of loans issued by the banking

industry to the citizens of Kosovo consists of loans to non-financial corporations, which includes the main part of Kosovo's businesses. Table 4 presents the values of deposits and loans of this sector.

LOANS IN RELATION TO DEPOSITS FOR NON-FINANCIAL CORPORATION'S (2010-2015)						Million euro
Description	2010	2011	2012	2013	2014	15-Nov
Non-financial corporation deposits	301.9	287.8	335.7	397.7	396.5	440.3
Non-financial corporation loans	1,004.1	1,127.0	1,169.8	1,194.5	1,246.4	1,326.8
Ratio	332.6%	391.6%	348.5%	300.3%	314.4%	301.3%

Tab. 4 | Source: CBK – Balance sheet of other depository corporations (January 2016)

Loans issued to this sector have exceeded the value of 1 billion Euros, while deposits have recorded a value of 440 million Euros. It is important to note that both indicators of this sector have continuously increased over the years, a trend which is seen in Figure 4.

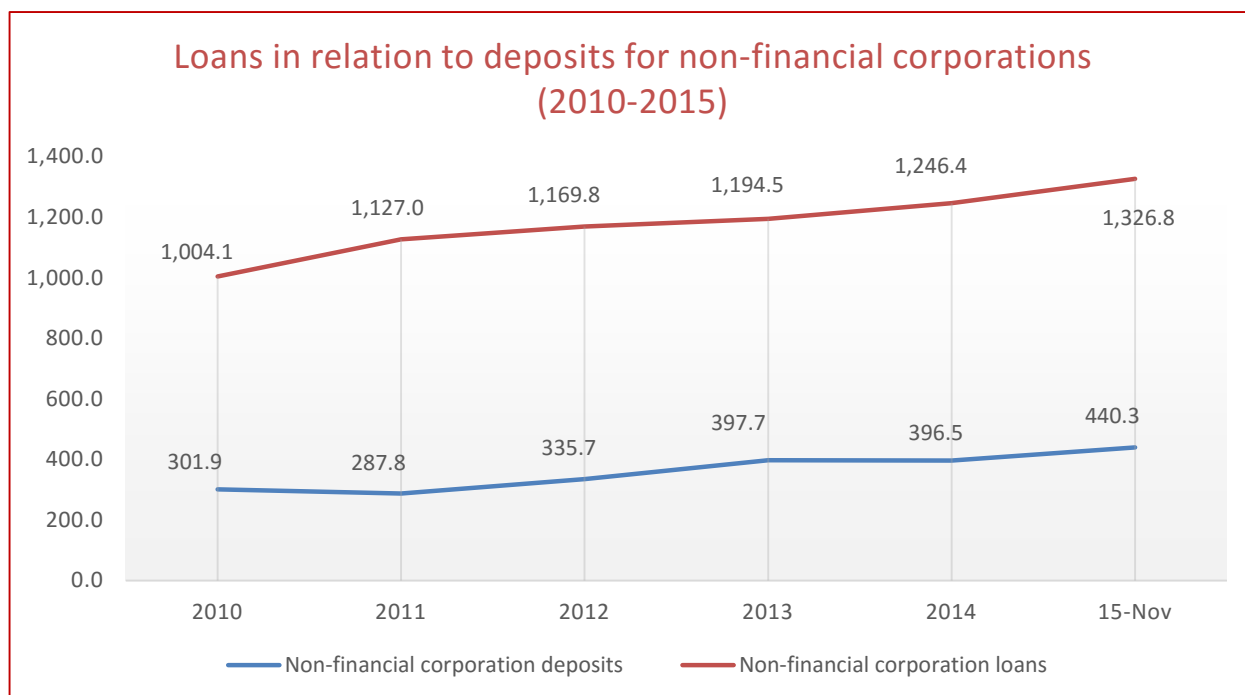


Fig. 4 | Source: CBK – Balance sheet of other depository corporations (January 2016)

As can be seen from Table 4, loans issued in relation to deposits of other depository corporations in November 2015 recorded a rate of 301.3%, which indicates that the banking industry utilizes the deposits of other sectors to credit this sector; mainly, household deposits which will also be addressed below. By November 2015, loans issued to this sector had increased by 6.4% compared to the end of 2014, while 4.3% was the increase in 2014 compared to 2013.

RATIO BETWEEN DEPOSITS AND LOANS TO HOUSEHOLDS, NON FOR PROFIT ORGANIZATIONS, AND NON-RESIDENTS

While non-financial corporation's accounted for the majority of loans in the banking industry, households constitute the main part of the banking industry deposits. This indicates that a significant proportion of household deposits are used for lending to non-financial corporations, i.e. businesses. Data presented in Table 5 show the values of deposits and loans issued to households.

LOANS IN RELATION TO DEPOSITS FOR HOUSEHOLDS (2010-2015)						Million euro
Description	2010	2011	2012	2013	2014	15-Nov
Household deposits	1,299.3	1,490.5	1,640.1	1,775.0	1,848.3	1,928.4
Household loans	434.2	510.9	542.6	563.9	621.6	673.5
Ratio	33.4%	34.3%	33.1%	31.8%	33.6%	34.9%

Tab. 5 | Source: CBK – Balance sheet of other depository corporations (January 2016)

In November 2015, the ratio between loans and deposits of households was 34.9%, which means that not all household deposits are used for lending to this category, but a substantial part is used to lend to other sectors. This ratio has been roughly the same over the years under comparison.

The two indicators of this sub-category have increased through the years which are taken into comparison basis. Their upward trend can be seen in Figure 5.

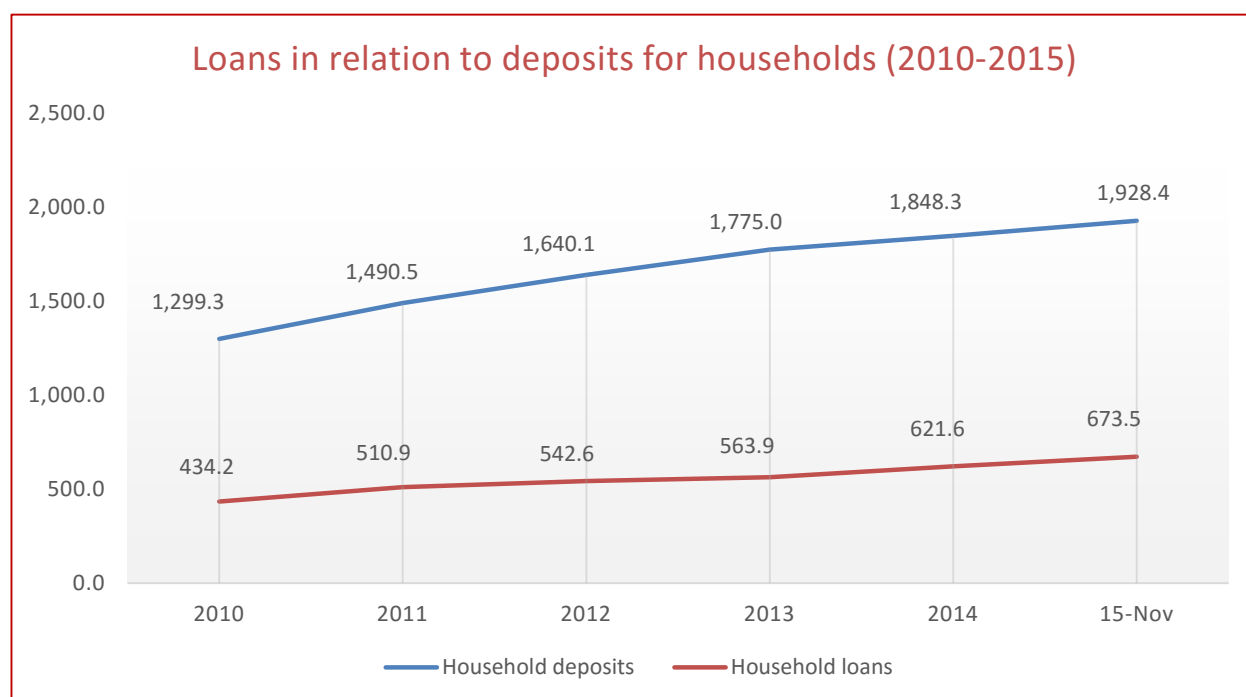


Fig. 5 | Source: CBK – Balance sheet of other depository corporations (January 2016)

It is important to note that household deposits increased by 4.3% in November 2015 compared to the end of 2014, while loans issued to this sub-category grew by 8.3% during the same period.

Deposits and loans to non for profit organizations make up a relatively small portion of these two indicators within the banking industry. Table 6 shows these values.



LOANS IN RELATION TO DEPOSITS FOR NOT FOR PROFIT ORGANIZATIONS (2010-2015)						Million euro
Description	2010	2011	2012	2013	2014	15-Nov
NFP deposits	14.5	22.6	23.3	26.9	31.1	35.4
NFP loans	0.1	1.5	0.4	0.9	0.1	0.1
Ratio	1.0%	6.7%	1.7%	3.2%	0.5%	0.4%

Tab. 6 | Source: CBK – Balance sheet of other depository corporations (January 2016)

Deposits of non for profit organizations have increased over the years; nonetheless, their value has no significant weight in the total deposits of the banking industry. Yet, their upward trend, which can be seen in Figure 6, shows the upward trend of the activities of these organizations. Lending to this sector is very small, which can be observed not only by the value of loans issued, but also by the ratio between loans issued and deposits of these organizations.

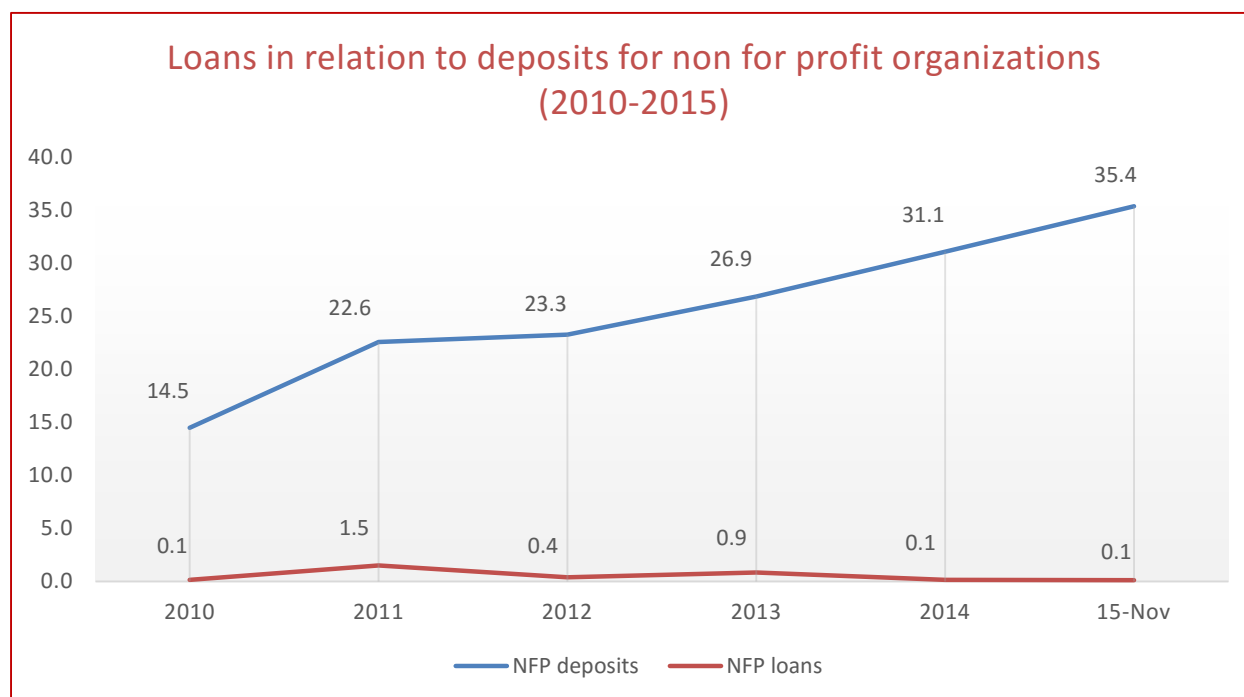


Fig. 6 | Source: CBK – Balance sheet of other depository corporations (January 2016)

In the banking industry, an important part of deposits is also comprised of those of non-residents. Table 7 presents data for this sub-category for the two indicators taken for comparison.

LOANS IN RELATION TO DEPOSITS FOR NON-RESIDENTS (2010-2015)						Million euro
Description	2010	2011	2012	2013	2014	15-Nov
NR Deposits	84.8	64.2	86.9	89.1	88.9	97.9
NR Loans	1.6	32.4	22.5	19.9	0.5	0.4
Ratio	1.9%	50.5%	25.9%	22.3%	0.5%	0.4%

Tab. 7 | Source: CBK – Balance sheet of other depository corporations (January 2016)

Deposits have marked a continuous growth in all the years taken for comparison, while loans issued for this sub-category have dropped significantly, especially in the past two years. This moving trend for both the indicators can be seen in Figure 7.

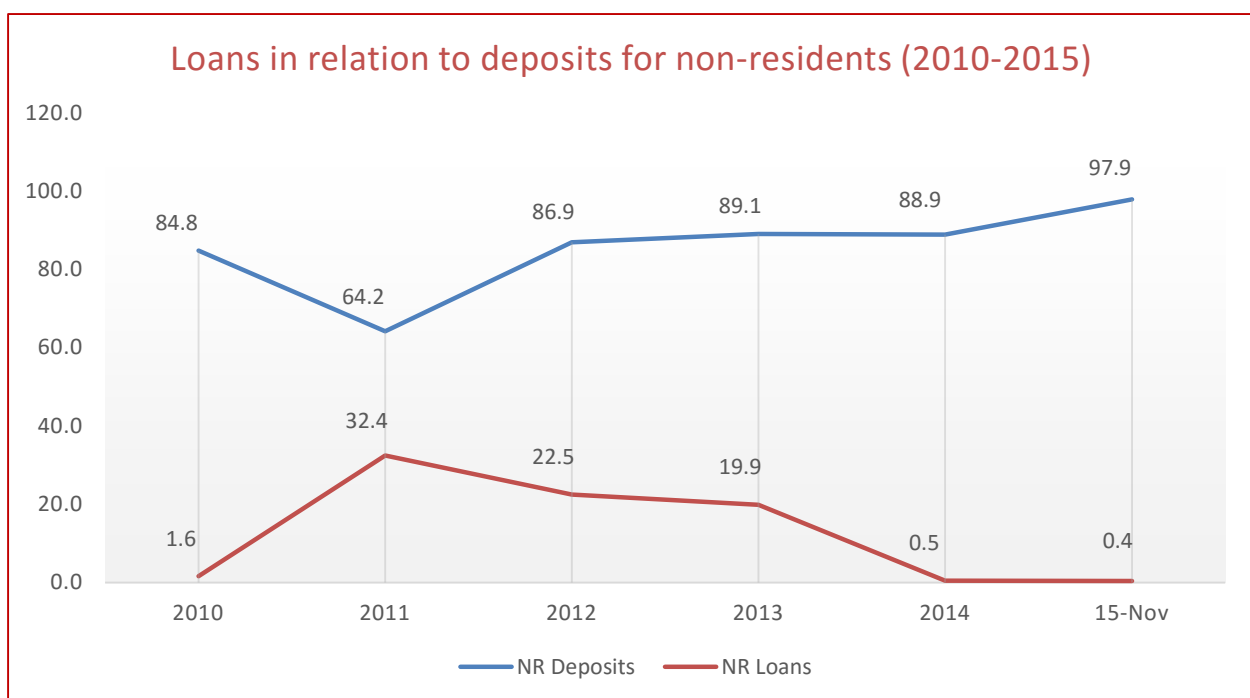


Fig. 7 | Source: CBK – Balance sheet of other depository corporations (January 2016)

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BANKING PERIODIC - DECEMBER 2015

ELECTRONIC BANKING SERVICES

I.

ELECTRONIC BANKING SERVICES

The banking industry in Kosovo is increasingly being oriented and developed towards the advancement and greater use of electronic services. This rapid development towards the advancement of electronic payment instruments is a response to the development of information technology in general in line with international trends. At the same time, it represents the banking industry adapting to new requirements and customer needs so that these services be more secure, easily realizable, easily accessible and quick in terms of saving time.



It is important to assess that the citizens have responded positively to the rapid development of electronic services in the banking industry in Kosovo, where their use in terms of numbers is increasing, marking doubling values in some cases.

Number of bank cards

To view this development, Table 1 shows the number of bank cards issued by the banking industry for the citizens of Kosovo.

STATISTICS ON THE NUMBER OF BANK CARDS				
No.	Cards by function	2013	2014	2015
I.	Cards with a cash function	754,380	813,026	1,041,592
II.	Cards with a payment function of which:	754,380	799,742	1,041,592
	1 - Cards with a debit function	645,048	678,090	837,747
	2 - Cards with a credit function	109,332	121,652	203,845
III.	Cards with e-money function of which:	15,017	13,284	199
	1 - Cards with an e-money function which have been loaded at least once	15,017	13,284	196
IV.	Total number of cards of which:	769,397	813,026	1,041,791
	1- Cards with a combined debit, cash or e-money function	769,397	813,026	1,029,094

Tab. 1 | Source: CBK – Monthly report on cash and non-cash instruments (February 2016)

At the end of 2015, the number of bank cards in use increased by 28.1% compared to 2014, in comparison to the 7.7% increase in 2014 in relation to 2013. This larger increase at the end of 2015 can be seen in figure 1 presented.

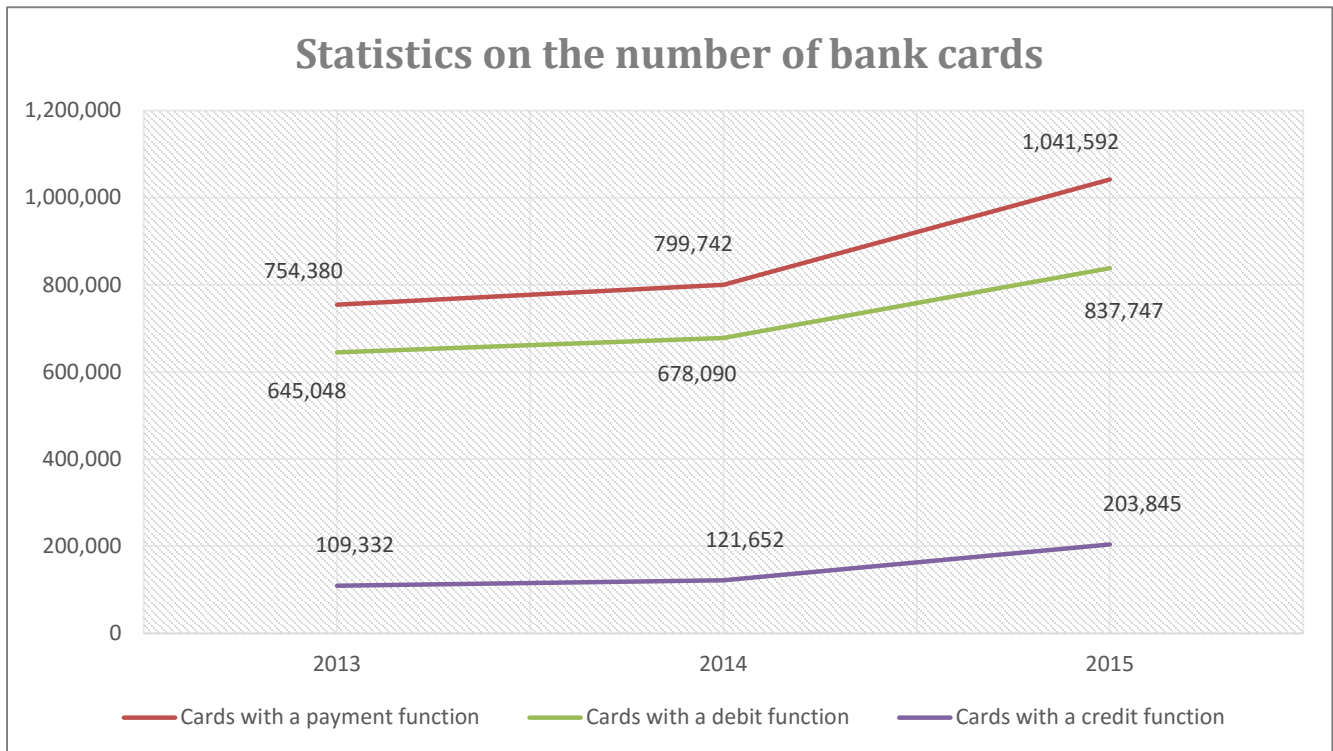


Fig. 1 | Source: CBK – Monthly report on cash and non-cash instruments (February 2016)

At the end of 2015, cards with a credit function grew significantly or rather increased by 67.5% compared to 2014. Cards with debit function also increased by 23.5% compared to 2014.

Cards of the banking industry are used for online purchases either through the Internet, cash withdrawals through ATMs, or payments through points of sale. Table 2 presents data on the number of bank terminals which are in use for citizens of Kosovo.

Number of terminals for cards and electronic money

STATISTICS ON BANK TERMINALS								
No.	Terminals by function	2009	2010	2011	2012	2013	2014	2015
I.	Automated Teller Machines (ATM) of which:	339	415	460	483	496	498	540
	1-ATMs with a cash withdrawal function	339	415	460	483	496	498	540
	2-ATMs with a credit transfer function of which:	112	141	147	145	148	50	97
	a-ATM with Kos Giro payment function	N/A	39	69	73	70	50	97
	3- ATMs with a deposit function	0	0	1	1	8	13	78
II.	Terminals POS (Point of Sale) of which:	5,251	6,194	7,534	8,592	9,071	9,349	9,705
	1-POS terminals with a cash withdrawal function	212	212	1,376	220	215	220	180
	2-terminals EFTPOS	5,223	5,930	6,320	8,499	8,856	9,179	9,525

Tab. 2 | Source: CBK – Monthly report on cash and non-cash instruments (February 2016)

As can be seen from the data presented in Table 2, all values have increased; whereas, at the end of 2015 the number of points of sale (POS) increased by 3.8% compared to 2014, while the number of ATMs increased by 8.4%. If we compare the same for a longer period, between the years 2009 - 2015 it can be seen that the number of ATMs increased by 59.2%, while the number of points of sales increased by 84.8%.



Number and value of card transactions through terminals

In Table 3 and 4 we can see how much are bank cards used by number and value of transactions at ATMs and points of sale in the banking industry. More accurately, Table 3 shows the number of card transactions executed through the years.

NUMBER OF CARD TRANSACTIONS THROUGH TERMINALS				
No.	Description	2013	2014	2015
I.	Total number of transactions with cards of which:	13,129,074	14,734,189	16,183,996
	1-ATM cash withdrawals	9,251,512	9,926,136	10,422,617
	2-ATM deposits	5,314	27,724	232,625
	3-ATM credit transfers	108,308	70,160	42,572
	4-POS terminal cash withdrawals	21,964	13,333	14,523
	5-Card payments at POS terminals	3,741,976	4,696,836	5,471,659

Tab. 3 | Source: CBK – Monthly report on cash and non-cash instruments (February 2016)

Total transactions at the end of 2015 increased by 9.8% compared to 2014. The number of transactions through ATMs increased by 5% while, card payment through POS increased by 16.4%. It is important to note that ATM deposits have also started to record significant growth compared to 2014, although in smaller amounts, in which case the increase was 739% at the end of 2015.

The values of transactions executed through payment instruments have marked a roughly similar trend. Table 4 shows these data.

VALUE OF CARD TRANSACTIONS THROUGH TERMINALS				
No.	Description	2013	2014	2015
I.	Total number of transactions with cards of which:	1,115,499,704	1,262,232,598	1,728,032,876.06
	1-ATM cash withdrawals	936,184,272	996,236,120	1,222,659,417.13
	2-ATM deposits	1,953,275	13,488,633	181,428,729.23
	3-ATM credit transfers	781,258	515,457	373,621.03
	4-POS terminal cash withdrawals	24,576,284	13,878,586	20,357,075.19
	5-Card payments at POS terminals	191,954,615	238,113,801	303,214,033.48

Tab. 4 | Source: CBK – Monthly report on cash and non-cash instruments (February 2016)

As can be seen, the total value of card transactions in 2015 increased by 36.9% compared to 2014. The values of withdrawals at ATMs at the end of 2015 also marked an increase of 22.7% compared to 2014. The value of payments with cards at POS terminals also grew by 27.3%.



The number and value of e-banking accounts

Development of technological services has led people to use them greatly, thus making the need to visit the bank branch by the customer to be much smaller compared to the past. This is because the citizens of Kosovo increasingly use more electronic service e-banking through which it's possible to realize almost all types of transactions ranging from simple necessary payments (payment of daily invoices) to those payments that enable citizens to settle their tax obligations, customs, contributions and many other opportunities.

Table 5 shows the growth in the number of e-banking accounts over the years. At the end of 2015, the number of e-banking accounts increased by 18.7% compared to 2014. If the number of e-banking accounts at the end of 2015 is compared to 2010, then this number is increased by 238%.

NUMBER OF E-BANKING ACCOUNTS							
No.	Description	2010	2011	2012	2013	2014	2015
I.	Number of E-Banking accounts	55,292	68,990	97,089	131,365	157,761	187,297

Tab. 5 | Source: CBK – Monthly report on cash and non-cash instruments (February 2016)

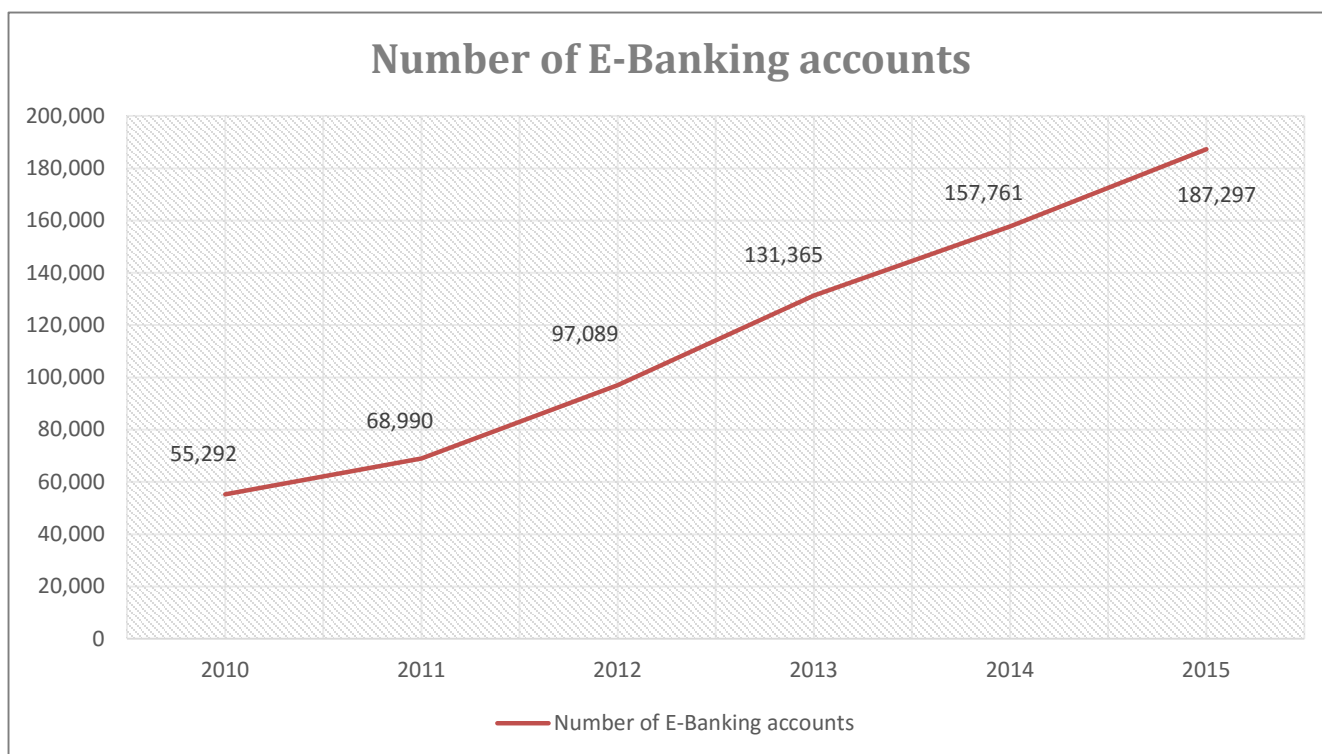


Fig. 2 | Source: CBK – Monthly report on cash and non-cash instruments (February 2016)

The increasing trend of the number of e-banking accounts can be seen from Figure 2 shown, which has recorded a positive trend in all the years taken for comparison.

VOLUME OF E-BANKING TRANSACTIONS PRESENTED IN NUMBERS AND VALUES OVER THE YEARS								
No.	Description	2009	2010	2011	2012	2013	2014	2015
1.	Number of transactions	228,886	318,375	424,273	625,762	1,056,655	1,579,838	2,311,564
2.	Value of transactions	607,305,816.66	782,383,356.93	1,218,089,663.00	1,499,093,438.23	2,671,011,545.81	4,220,405,695.61	5,746,325,675.39

Tab. 6 | Source: CBK – Monthly report on cash and non-cash instruments (February 2016)

The increase in number and value of transactions through e-banking can be seen in Table 6. This increase shows that citizens of Kosovo have accepted the developments made by the banking industry on electronic services without a problem, for the fact that these developments are in conformity with the needs of market.

II. KEY INDICATORS OF THE BANKING INDUSTRY

The banking industry in Kosovo has shown stability and sustainability continuously since the war until recent years, providing security and showing reliability to the citizens of the Republic of Kosovo. The banking industry has recorded positive growth in almost all its key indicators, which shows a healthy market of this industry.

Structure of assets

Table 7 shows data on total assets of the banking industry and the structure of this industry.

STRUCTURE OF ASSETS OF THE BANKING INDUSTRY (million euro)						
Description	2010	2011	2012	2013	2014	2015
Cash and balances with CBK	307.0	331.5	425.7	463.3	447.1	491.2
Balance with commercial banks	439.1	329.5	287.9	339.9	390.7	316.0
Securities	173.4	202.0	256.6	354.5	383.8	473.5
Loans and leasing	1,458.7	1,698.1	1,763.4	1,805.8	1,882.4	2,019.4
Fixed assets	44.0	47.4	57.7	55.5	53.7	57.3
Other assets	32.9	41.3	38.1	40.3	27.9	29.8
Total assets	2,455.1	2,649.7	2,829.3	3,059.3	3,185.6	3,387.3

Tab. 7 | Source: CBK – Balance sheet of other depository corporations (February 2016)

Within the total assets of the banking industry, the majority is made up of total loans and leases with 59.6% (2015), followed by cash with 14.5%, securities with 14.0%, and so on.

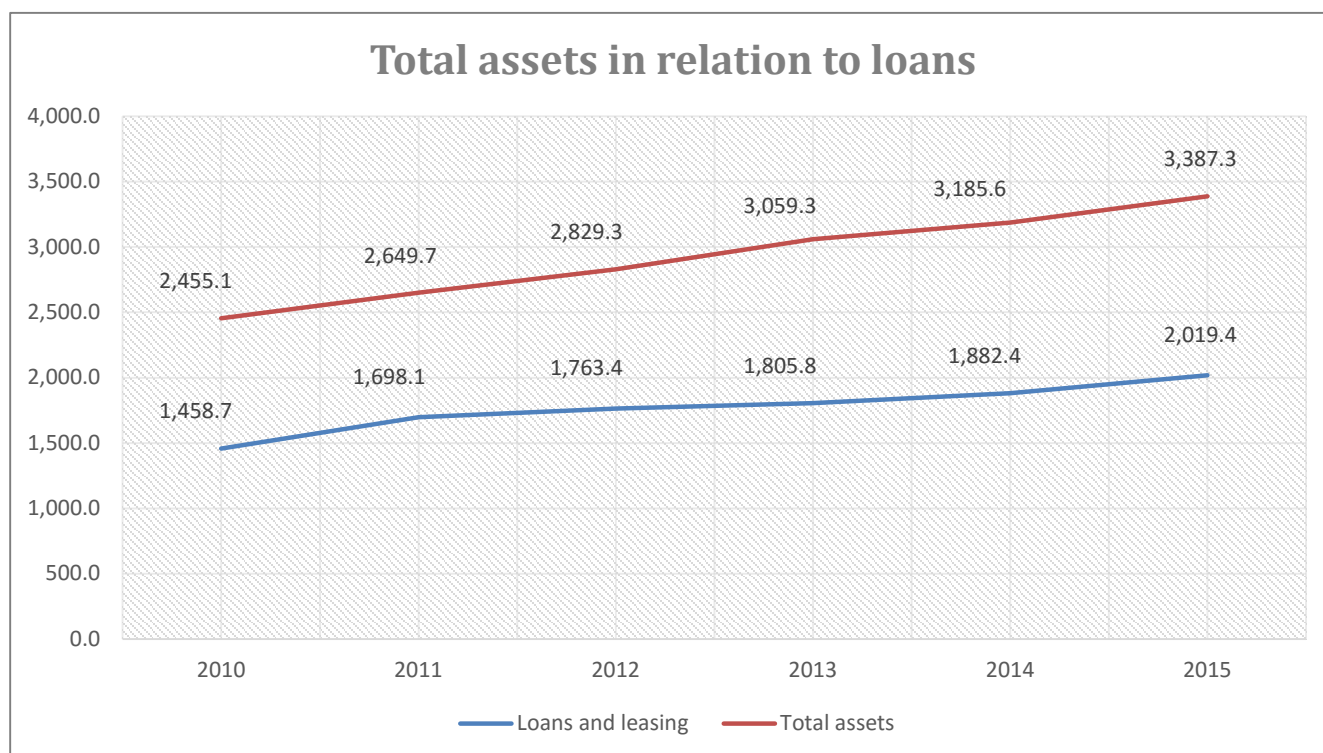


Fig. 3 | Source: CBK – Balance sheet of other depository corporations (February 2016)

The trend of growth of total assets and loans can also be seen from Figure 3 shown. At year end 2015, total assets increased by 6.3% compared to 2014, while loans and leases increased by 7.2% during the same period.

Structure of liabilities

STRUCTURE OF LIABILITIES OF THE BANKING INDUSTRY (million euro)						
Description	2010	2011	2012	2013	2014	2015
Balance from other banks	70.7	40.0	6.0	16.5	31.6	43.4
Deposits	1,936.8	2,104.0	2,279.1	2,449.0	2,537.5	2,701.4
Other borrowing	23.4	30.4	18.9	13.4	14.1	17.6
Written down provisions	0.1	0.2	1.7	2.0	2.9	3.1
Other liabilities	160.1	191.3	221.4	244.1	229.2	191.2
Subordinated debt	33.5	31.0	31.0	56.3	47.3	36.8
Bank's liabilities on acceptances outstanding	-	-	0.5	0.1	-	-
Own resources	230.4	252.8	270.7	277.8	323.0	393.8
Total liabilities	2,455.1	2,649.7	2,829.3	3,059.3	3,185.6	3,387.3

Tab. 8 | Source: CBK – Balance sheet of other depository corporations (February 2016)

Within the structure of liabilities from Table 8, it can be seen that deposits dominate the main part with a total of 79.8% of total liabilities at the end of 2015, while the rest is composed of own resources with 11.6%, other liabilities with 5.6% and so on .

Table 9 shows the ratio between deposits and loans of the banking industry. From the data obtained for comparison basis, it can be seen that the banking industry has always maintained the ratio between loans and deposits to approximately 80%, thus being liquid at all times and ready to cover its obligations at any time.

GROSS LOANS IN RELATION TO DEPOSITS (million euro)						
Description	2010	2011	2012	2013	2014	2015
Deposits	1,936.8	2,104.0	2,279.1	2,449.0	2,537.5	2,701.4
Gross loans and leasing	1,458.7	1,698.1	1,763.4	1,805.8	1,882.4	2,019.4
Ratio	75.3%	80.7%	77.4%	73.7%	74.2%	74.8%

Tab. 9 | Source: CBK – Balance sheet of other depository corporations (February 2016)

In Figure 4, the increasing trend of the two leading bank industry indicators of deposits and loans can also be observed.

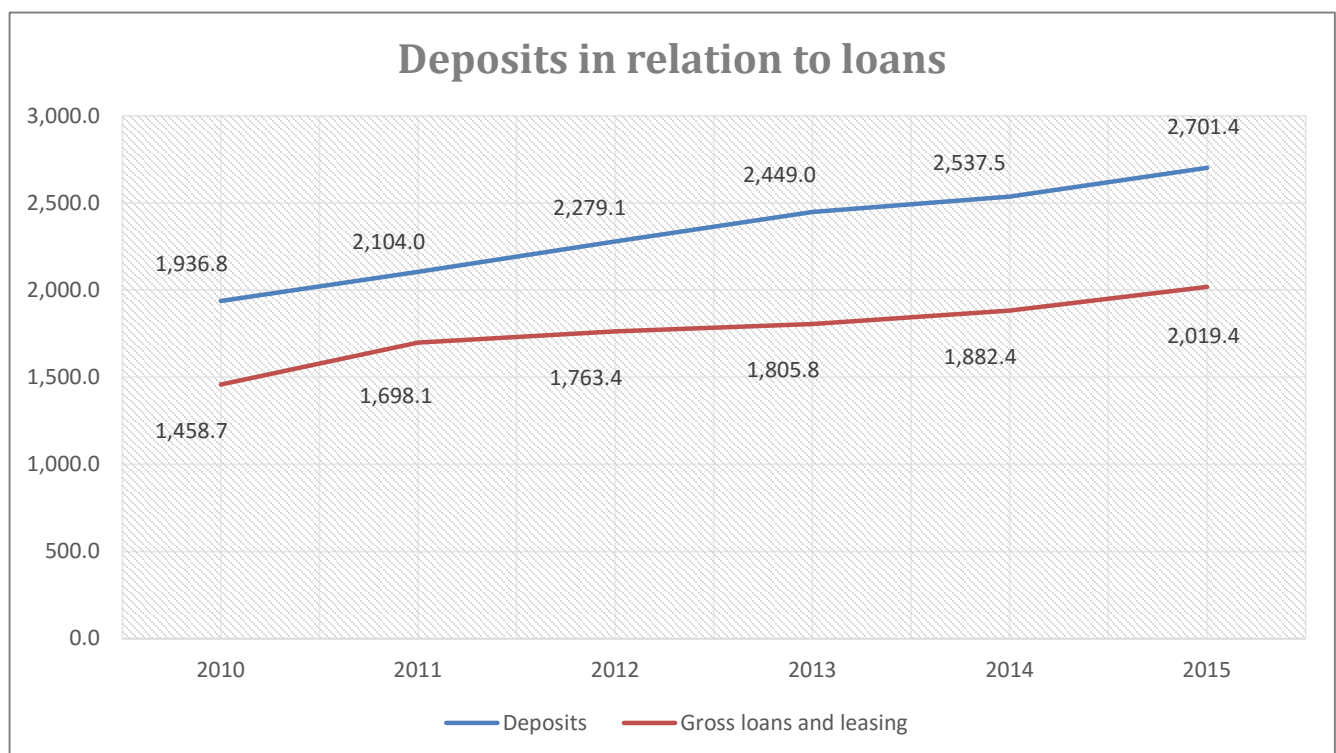


Fig. 4 | Source: CBK – Balance sheet of other depository corporations (February 2016)

The growth of deposits and loans is approximately in similar proportion to one another, ensuring that loans issued by the industry never exceed deposits of citizens.

LOANS BY ECONOMIC ACTIVITY (million euro)											
Description	Agriculture	Mining	Manufacturing	Energy	Construction	Trade	Hotels & Restaurants	Other trade	Financial services	Other services	Total
2010	38.2	14.6	127.6	18.0	109.1	521.2	39.5	18.9	22.0	113.6	1,022.8
2011	40.5	17.2	136.7	14.5	116.3	606.2	39.9	23.4	55.0	99.9	1,149.5
2012	43.6	16.2	133.1	15.9	125.2	635.3	38.8	22.7	54.5	108.8	1,194.2
2013	45.8	20.1	131.7	20.8	118.7	640.6	49.2	19.1	68.8	102.6	1,217.4
2014	49.8	19.7	153.0	20.3	107.0	674.5	51.4	18.1	60.6	102.0	1,256.4
2015	59.9	19.2	164.1	17.8	99.5	683.0	50.7	21.3	94.0	123.8	1,333.4

Tab. 10 | Source: CBK – Loans of other depository corporations by economic activity (February 2016)

Within the structure of loans issued to sectors of the economy, loans issued to trade dominate, which by the end of 2015 accounted for 51.2% of total loans by economic activity, followed by manufacturing with 12.3%, other services by 9.3% and so on. In most economic sectors, values of loans have increased over the years, except for construction which recorded a slight decline.



Revenues and expenses

The banking industry in Kosovo has also consistently recorded positive revenue values in relation to expenses. Table 11 and 12 shows the ratio of these two indicators.

REVENUES OF THE BANKING INDUSTRY (million euro)								
Period	Interest income				Non-interest income		Income from revaluations	Total
	Loans	Bank placements	Securities	Other	Fees and commissions	Other operating income		
2010	169.6	2.7	3.1	0.4	37.5	3.9	.	217.2
2011	186.3	4.1	4.2	0.5	41.7	3.3	.	240.1
2012	194.9	2.0	3.0	0.6	44.2	2.4	.	247.0
2013	192.5	1.4	2.3	2.0	45.6	3.9	1.2	249.0
2014	190.7	1.1	2.9	2.5	44.6	3.1	0.5	245.3
2015	180.4	0.5	4.4	0.7	47.1	4.0	1.1	238.2

Tab. 11 | Source: CBK – Income statement of other depository corporations (February 2016)

In Table 11, we can see that the revenues obtained through years taken for comparison were approximately the same, while expenses have declined over the years, especially in the last three years, which has made the profit generated for the sector to grow.

EXPENSES OF THE BANKING INDUSTRY (million euro)										
Period	Interest expense			Non-interest expense		General and administrative expenses			Provisions	Total
	Deposits	Borrowing	Other	Fees and commissions	Loan loss provisions	Personnel expenses	General expenses	Other non-interest expenses		
2010	49.4	4.8	1.1	7.7	28.3	37.8	37.6	12.6	5.5	184.8
2011	51.3	5.6	1.5	8.5	34.8	40.7	33.5	22.9	5.3	204.1
2012	57.6	3.2	2.3	8.7	50.3	42.3	35.5	24.5	4.0	228.6
2013	58.0	2.6	3.2	9.4	46.1	42.3	35.6	22.5	3.2	223.0
2014	36.4	3.3	4.5	11.1	20.5	42.7	35.1	24.4	6.8	184.8
2015	16.7	3.8	2.1	12.0	-8.4	44.0	35.7	27.8	9.7	143.5

Tab. 12 | Source: CBK – Income statement of other depository corporations (February 2016)

Figure 5 shows the trends of revenues and expenses as well as the difference between these two indicators, respectively, the profit made by the banking industry.

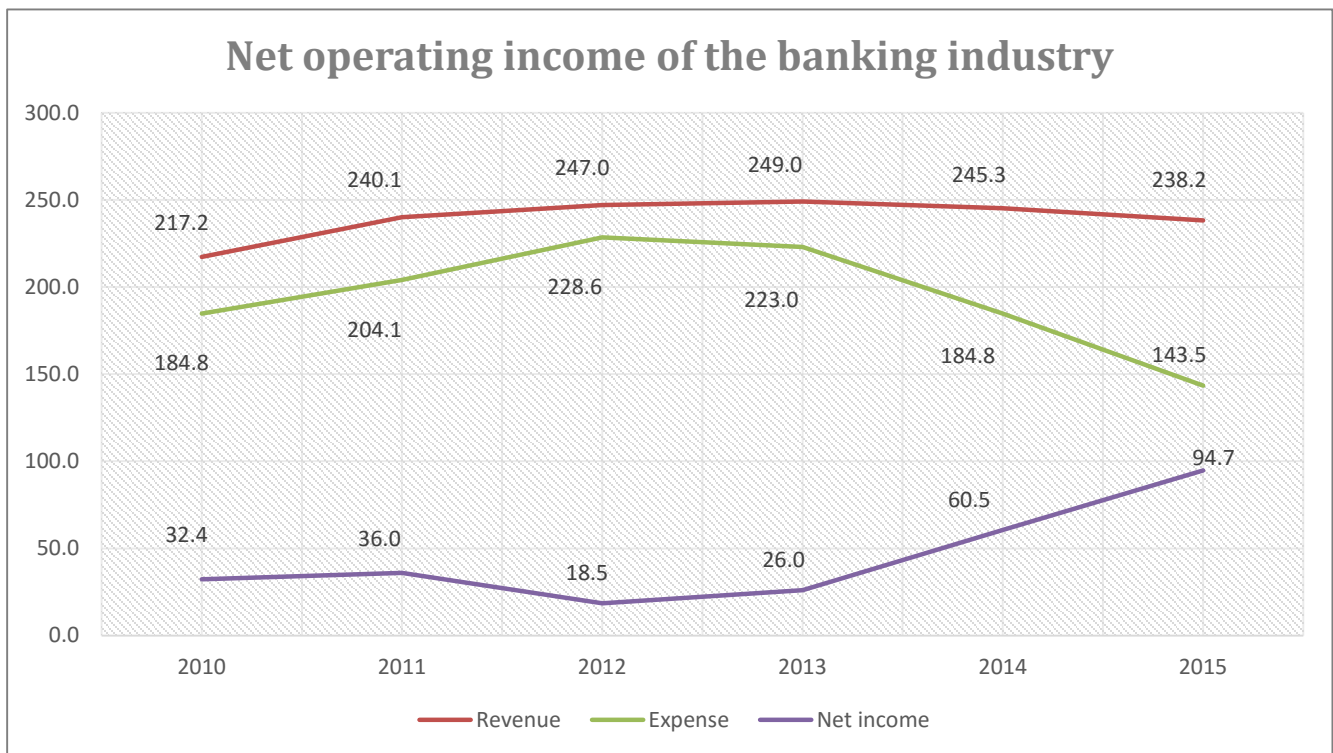


Fig. 5 | Source: CBK – Income statement of other depository corporations (February 2016)

At the end of 2015, the banking industry marked a profit in the amount of 94.7 million Euros, representing an increase of 56.5% more than in 2014.



Effective interest rates

Over the past two years, the banking industry has managed to significantly reduce the effective interest rates on loans, which means that the cost of credit for the citizens of Kosovo is reduced. By reducing the effective rate of interest on loans, despite the fall of the effective interest rate on deposits, it has made the difference in percentage between the two rates to be reduced.

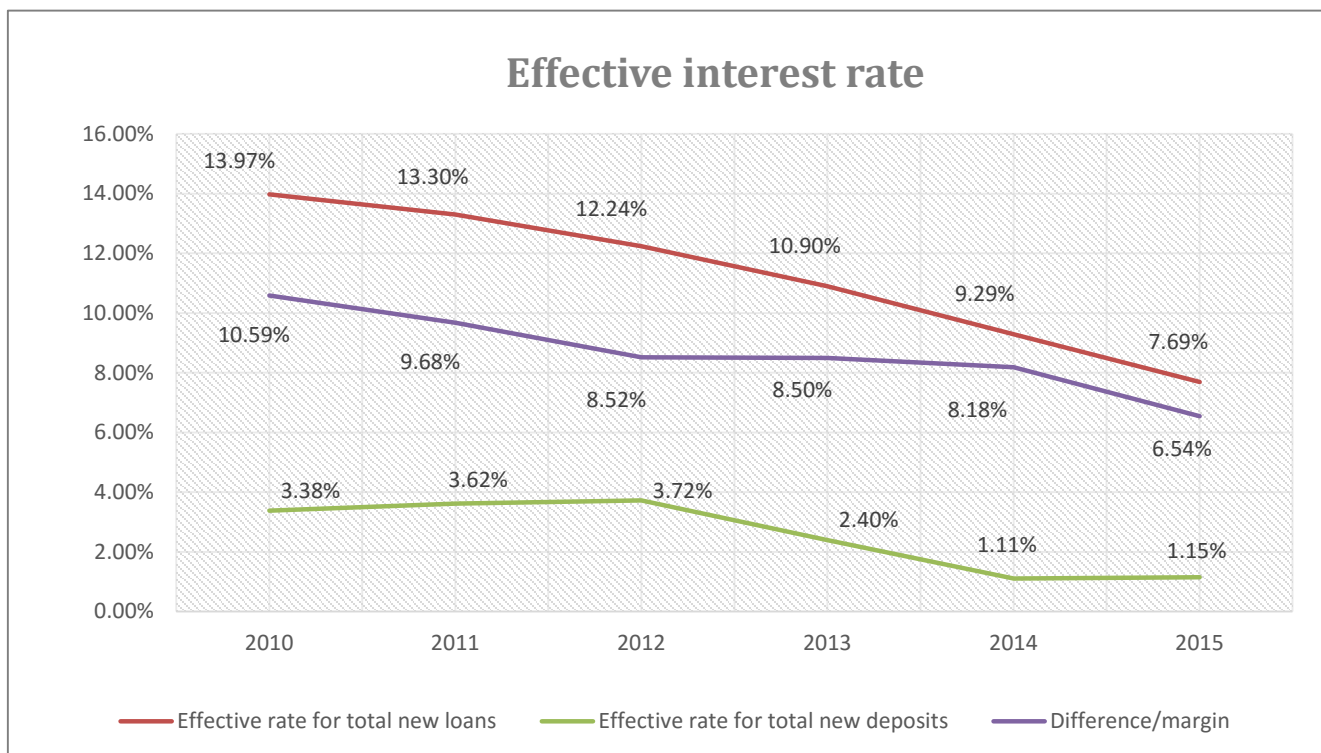


Fig. 6 | Source: CBK – Effective interest rate of other depository corporations (February 2016)

As seen from the trend shown in Figure 6, since 2013, the two interest rates, including the interest rate margin between loans and deposits have declined significantly.

It is important to note that the effective interest rate on loans has reached the lowest value ever recorded in the banking industry in Kosovo, which actually represents a significant success for the industry.



Non-performing loans

The health of the banking industry can also be estimated by the percentage of bad loans that the banking industry has recorded. Table 13 shows the percentage of bad loans and loan loss provisions.

NON-PERFORMING LOANS - NPL						
Description	2010	2011	2012	2013	2014	2015
NPL	5.9%	5.8%	7.5%	8.7%	8.3%	6.2%
Loan loss provision	115.0%	116.7%	112.7%	110.5%	114.4%	115.1%

Tab. 13 | Source: CBK – Annual Report 2013, 2014 and the monthly information report (February 2016)

The banking industry has managed to administer its credit portfolio well, in addition to growing the value of loans, in which case, the end of 2015 recorded the lowest values in recent years taken for comparable basis, i.e. 6.2%.

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BANKING INDUSTRY NEWS THAT MARKED THE MONTH OF JANUARY 2015

THE COLLECTIVE AGREEMENT IS SUSPENDED

Two euro per day salary increase for 0.5 percent for every year of work, eight hours of work, and insurance on the job. Much of these were the expectations of workers in the event that the Collective Agreement would have been implemented beginning January 1st. However, the implementation of this agreement has been suspended. The suspension of the agreement was confirmed by the Minister of Labor and Social Welfare, Arban Abrashi. He announced that the suspension was made because it was not in accordance with the Labor Law. (Zeri, 8 January 2015)



KOSOVO WITH POSITIVE BALANCE OF INTERNATIONAL INVESTMENT

Central Bank of Kosovo (CBK), has announced that Kosovo continues to record positive balance of its international investment position (IIP) which at the end of the third quarter of 2014 reached a value of 396.7 million euro. CBK has announced that at the end of the previous quarter this value was 327.8 million euro. International obligations have also increased by 115.4 million euro which amounted to 3.90 billion euro at the end of the third quarter of 2014. (Telegrafi, 8 January, 2015)



LEGAL OFFICE: COLLECTIVE AGREEMENT IN VIOLATION OF LABOR LAW

The collective agreement is not in accordance with the Labor Law. This is the official response that the Minister of Labor and Social Welfare, Arban Abrashi has received from the Legal Office of the Ministry. Sources of the Newspaper Tribuna within the ministry, informed that the legal office has found that many articles of the Collective Agreement are inconsistent with the Labor Law. According to the source, one of the controversial provisions of the Labor Law with the Collective Agreement is Article 90.5, which deals with parties who are required to implement this contract. Meanwhile, last week minister Abrashi said for Tribuna that if it is determined that the collective agreement is inconsistent with the Labor Law its implementation will not start. He said it is likely that the implementation of the collective agreement be postponed for a while because the Labor Law will change as well. "We will change the Labor Law, in order for the law to be more attractive to employers as well as employees. Once the law is in the process of alteration, it is logical to expect that the collective agreement be amended under the new law", said Abrashi. (Tribune, 13 January 2015)



COMMITTEES AT KOSOVO BANKING ASSOCIATION ELECT THE NEW CHAIRPERSONS

Within Kosovo Banking Association (KBA) ten committees of different areas of the banking sector function. The committees consist of respective representatives of eight members of KBA. Committees have very important functions to address specific issues affecting the better functioning of the sector. In the second half of 2014 the new Chairpersons of several active committees at KBA was elected.

The newly elected Chairpersons are are:

Committee	Elected chairman	Institution	Elected vice chairman	Institution	Date of elecion
Compliance and AML committee	Ali Krasniqi	BKT	Alban Hetemi	ProCredit Bank	24 October 2014
Legal committee	Agron Krasniqi	BpB	Ilir Gaxha	TEB Bank	17 December 2014
Finance committee	Rezak Fetai	ProCredit Bank	Rudin Lleshaj	BKT	23 October 2014
Marketing and PR committee	Antigona Bejtulahu	Raiffeisen Bank	Zana Rizvanolli	NLB Prishtina	22 September2014
Risk committee	Gem Maloku	NLB Prishtina	Besian Mustafa	TEB Bank	17 September 2014

As it is defined by the work procedures of these committees, the mandate of the new chairpersons is for two years. Executive Director of KBA Mr. Petrit Balija and KBA's staff take this opportunity to thank all representatives of all the past chairpersons for their work and contribution given during their mandate, and wishes success to the newly elected leadership. (Kosovo Banking Association, 9 January 2015)

REMITTANCES, 214 MILLION EURO

Central Bank of Kosovo (CBK), has announced that remittances in Kosovo were 214 million euro in the third quarter of 2014, marking an increase of 9.2 percent compared with the same period the previous year. According to CBK, in the third quarter of 2014 the current account deficit was 91.8 million euro, which represents a decrease of 7.9 percent compared with the same period of 2013. (Telegrafi, 6 January 2015)



EURO IN "YEAR ZERO"!

With constant decline during the first days of this year, the common European currency has not only reached the lowest level in the past nine years, but also it has reversed itself to the point where it was 16 years ago. In closing of the first day of debut on the market, on January 4th, 1999, Euro was exchanged for 1.1825 dollars. Today its worth is almost the same as in the first moment of entry into the European markets, with an exchange rate of 1.1868 dollars. During these 16 years, the common European currency has traversed a not so easy trajectory: three European central bank presidents, two economic recessions or even continuous expansion of boundaries. (Telegrafi, 8 January, 2015)



WB: IN 2015 GLOBAL ECONOMIC GROWTH WILL REACH 3%

In 2015, global economic growth will reach 3 percent, according to the World Bank's latest report "Global Economic Prospects". WB noted that with improvement of employment and monetary easing policies, a strengthening of the US and British economy is observed. Meanwhile, the Eurozone and Japan do not have an optimistic situation and on the other side deflation that has hit the Eurozone seems to be continuing for a long time. (Telegrafi, 14 January 2015)



INTEREST-FREE LOANS FOR AGRI-BUSINESSES

Agribusiness and small enterprises in Gjilan this year will be offered a good opportunity to take advantage of bank loans, without being forced to pay more than they received. Micro businesses and farmers can benefit loans in amounts of 5,000, 7,000 and 10,000 euros, for a period of three years or even longer, depending on the bank and they will be obliged to pay back only the basic amount without interest rate. The municipality pays the interest rate and the risk of the loan is taken by the bank itself.



BANKING INDUSTRY NEWS THAT MARKED THE MONTH OF FEBRUARY 2015

JOB FAIR ORGANIZED BY KBA AND EUICC

Approximately 200 young people whom are currently attending or have obtained Bachelor or Master degrees in relevant study fields, used the opportunity provided by the Job Fair with commercial banks held at the EU Information and Cultural Centre in Prishtina to find out more about employment or internship prospects in the banking industry.

The Fair was held at the EU Information and Cultural Centre (EUICC) in Prishtina in co-operation with the Kosovo Banking Association (KBA) and was attended by five commercial banks: Raiffeisen Bank, Pro Credit Bank, NLB Prishtina, National Commercial Bank and İşBank.

The representatives of the participating banks presented their professional internship and employment opportunities to all interested individuals, while collecting CV's from those who expressed interest for employment in the banking sector.

Job Fair gave students and graduates a chance for one-on-one meetings with bank representatives tasked with recruiting successful candidates. In addition, the Fair provided a more realistic overview of the labour market in the banking industry, which is particularly attractive for young people. This way, the students had the opportunity to learn that this is a very competitive market and that they should develop good professional competences for a career in the banking sector.

The Executive Director of the Kosovo Banking Association, Petrit Baliya, underlined the importance of uniting efforts as key for alleviating unemployment in Kosovo.

“Jobs are the solution to a vast array of issues that our young country is facing. Therefore, it is paramount that not only the Government of Kosovo, but the private sector, nongovernmental organization and civil society, universities and colleges, and media get in motion so that all of us can contribute to reducing the unemployment rate and improve employment prospects for the young people of Kosovo” stated Mr. Baliya. The Job Fair with commercial banks is a part of the EU Information and Cultural Centre’s campaign for economic development. (Zeri, Kosova Sot, Telegrafi, 27 February, 2015)



HAMZA: 4% ECONOMIC GROWTH

The Governor of the Central Bank of the Republic of Kosovo (CBK), Bedri Hamza, declared that despite the negative developments in many parts of Europe and beyond, Kosovo has maintained its financial and banking stability. In this interview for the newspaper “Epoka e Re”, Hamza said that since after the war, Kosovo has had economic growth and this has pushed the country’s banking system to develop. According to him, investments, either public or private, have contributed to increase the number of banks in Kosovo. Regarding the economic growth for 2015, Governor Hamza has indicated that, according to the parameters of CBK, Kosovo will have an economic growth of around four percent, which is the largest economic growth in the region. (Epoka e Re, February 11, 2015).



WHERE WILL THE MICROFINANCE NGOS' 115 MILLION EUROS BE INVESTED?

Microfinance NGOs' activity without legal basis seems to have come to an end. The Parliamentary Commission for budgeting and finance has decided to draft the law on their activities by July. The main issue of lawmakers seems to be the distribution of their capital and shareholder title, since these NGOs have lawfully held a donor statute, but they have conducted banking activities by issuing loans with interest rates up to 28%. (Telegrafi, February 12, 2015)



TRADE, THE MOST FAVORED ACTIVITY

Kosovo Agency of Statistics (KAS) has published “Statistical Repertoire of Enterprises in Kosovo Q4 2014” on new businesses registered with the Business Registration Agency of Kosovo (BRAK).

During the fourth quarter of 2014 (Q4 - 2014) a total of 2,175 enterprises were registered, while in the previous quarter (Q3 - 2014) there were 1,919 of them, which shows an increase between the quarters of the same year of 256 enterprises, of which expressed in percentage we have 13.3% more new enterprises in this quarter. The most favorite economic activities during this quarter were: trade with 648 new enterprises (29.8%); accommodation and food service activities with 222 enterprises (10.2%); manufacturing with 216 enterprises (9.9%); agriculture, forestry and fishery with 168 enterprises (7.7%); construction with 166 enterprises (7.6%); professional, scientific and technical activities with 148 enterprises (6.8%); transportation and storage with 143 enterprises (6.5%); other service activities with 120 enterprises (5.5%); information and communication with 80 enterprises (3.7%); whereas, other activities participate in very small scales. (Zeri, February 6, 2015)



TURKEY REQUIRES IMPROVEMENT OF THE BUSINESS ENVIRONMENT

Kosovo should further improve the business environment in order to attract foreign investors. In terms of attracting foreign investments, Kosovo is not in good standing, mainly because investors send their capital to countries that offer business incentives. These concerns were discussed during the meeting of members of the Kosovo-Turkey Chamber of Commerce (KTCC) with the Minister of Economic Development, Blerand Stavileci, who discussed the business climate in the country. Topics of recent changes in Kosovo were also addressed, illegal exodus in Europe, the reforms envisaged by the Government, sectors of potential for investment in Kosovo, as well as the investment environment and cooperation. (Kosova Sot, February 5, 2015).



NEW 1 AND 2 EURO COINS LAUNCHED

Since yesterday, Spain has launched new coins of 1 and 2 euro denomination, featuring the face of King Felipe VI, which will gradually replace the previous coins with the image of his father, Juan Carlos. In a statement released today, the Ministry of Economy in Spain, informed that it is projected to release in circulation four million coins per year. New coins will gradually replace the old ones. The changing image of the monarchy features only one side of the coin, while the other one will still show the value of either 1 or 2 Euro. (Zeri, Telegrafi, February 5, 2015)



KEEPING THE FRANC TO THE MINIMUM



The Swiss National Bank, seems that after its decision to remove the fixed exchange rate of the franc towards euro, decided to impose the minimum exchange rate against the euro, a decision which will cost to the state. The article of the Swiss newspaper "Schweiz am Sonntag" which quotes an anonymous source at the Swiss National Bank, pretend to keep it at the minimum between 1.05 – 1.10 francs. The objective which is not made public would cost the Swiss National Bank 10 billion francs. (Zeri, February 4, 2015).

EU PREDICTS ECONOMIC GROWTH OF 1.3 PERCENT IN 2015

The European Union published its latest report on the economic situation, forecasting a modest increase in 19 eurozone countries, despite the recent decline in oil prices and the euro. EU economic officials forecast that this year's economic growth in the eurozone will be 1.3%, marking an increase of 1.1% from last November's assessment. At the same time, the forecast for the 28 member countries of the EU estimate the first economic growth of 1.7% after 8 years, combined with the expansion. (News Agency Ekonomia, February 6, 2015).



BANKING INDUSTRY NEWS THAT MARKED THE MONTH OF MARCH 2015

THE BANKING SECTOR HAS IMPROVED SIGNIFICANTLY



On Friday, the Delegation of the International Monetary Fund (IMF) Mission in Kosovo, who are visiting Kosovo these days, met with officials of the Kosovo Banking Association (KBA). Executive Director of the Kosovo Banking Association, Petrit Balija, has declared that at the meeting were discussed the achievements of the banking sector in Kosovo and further opportunities for improvement.

Moreover, improvements that should be made in order to have better environment for doing business in Kosovo were identified and discussed with particular emphasis on the implementation of contracts as an area that has stagnated significantly in Kosovo and that it is vital for banks and other businesses operating in Kosovo, as well as foreign direct investments. In addition, the banking sector has significantly improved both in interest rates on loans and in keeping non-performing loans at the lowest levels in the region.

This indicates a good stability of the banking industry in Kosovo and security for depositors, added Mr. Balija. International Monetary Fund at the meeting was represented by the IMF Resident Representative for Kosovo, Mr. Frank Lakwijk, Mr. Giuseppe Cipollone senior economist in the European Department, Mr. Jason Weiss economist - European Department, Ms. Alexandra Zdzienicka, economist, Department of Strategy, Policy and Review, Mr. Florian Misch, economist at Fiscal Affairs Department, Mr. Selim Thaci, economist, resident representative office in Kosovo and Mr. Jacques Miniane, head of the IMF mission to Kosovo, European Department.

In this meeting, all Chief Executives of commercial banks operating in Kosovo, members of KBA were present. (News Agency Ekonomia, Kosovo live, March 23, 2015).

INTERVIEW WITH KBA FOR GLOBAL MONEY WEEK



RTK: Hello and welcome to our morning program Mr. Balija.

Petrit Balija, KBA: Hello, greetings to all viewers of Radio Television of Kosovo, thank you for the invitation.

RTK: We'll talk about the Global Money Week, a week which is marked worldwide and has been developed in our country since last year. Initially we will discuss how it was manifested last year; the activities organized, and then we'll conclude with your thoughts this year.

Petrit Balija, KBA: This week is marked in over 180 countries in the world and we as Kosovo, last year joined the International Organization for Youth Financial Education, and last year in collaboration with the Central Bank of Kosovo have organized an event with elementary school students where the main topic was savings, while this year the Central Bank has continued with a similar event aimed to an elementary school here in Prishtina and informed students, in fact pupils about the basic principles of savings; a few savings boxes were distributed and a lecture was held by the Governor of the Central Bank.

RTK: How much do we know about savings, are we savers as a nation?

Petrit Balija, KBA: As a nation, as a tradition, as a culture, I believe that we have a good culture of savings that it is also evidenced by the high level of deposits that we have in the banking industry; we have some 2.5 billion Euros in deposits in commercial banks in Kosovo and given the very low number of customers, since we are a small country, I believe

that this is a high level of deposits that proves that Kosovars are saving quite well.

RTK: We are used to save some money for more difficult days, but now who are the biggest savers, it is known that the living standards in Kosovo do not allow us to save much from our monthly income.

Petrit Baliija, KBA: The banking system is comprised of savings by households but also by businesses. Around 70% of deposits are generated by households; which means that households are funding Kosovo businesses in some form.

RTK: Let's talk a little bit about the activities mentioned such as the financial education of Kosovo's banking customers, an activity, a project that will last a little longer and will have numerous activities.

Petrit Baliija, KBA: Kosovo Banking Association has lately signed an agreement with the World Bank Group for a two year project which will include a large, rather sizeable, number of banking clients and as a main topic in these seminars will be financial education related to savings, related to credit management, personal finance management in everyday life and we aim to reduce as much information asymmetry that can exist between financial institutions and financial clients.

RTK: So the project has already started?

Petrit Baliija, KBA: The project has already started; we have prepared the trainers to begin with workshops. This project is funded by commercial banks in Kosovo and implemented by IFC from World Bank and the Banking Association is an implementing partner during the whole time.

RTK: So, it will last for two years and certainly from time to time there will be activities within this project.

Petrit Baliija, KBA: There will be workshops in all centers of Kosovo with certain segments of clients that we think need more information; the main target also includes students who have just started their relationship with financial institutions, probably have opened a savings or a checking account but do not know many products and options and so it is important to be informed from the beginning with financial terminology, with the principles of how to manage personal finances such as creating savings habits and so on. In this project we will try to demonstrate the financial education from a young age that as a new parent this age group could begin to educate their children as early as in pre-school

that it is important to save, because it is known that in Kosovo's households due to conditions are not able to start with monetary savings, however, the basic principles on savings can be taught in other issues such as saving electricity, drinking water conservation, saving mobile telephony costs and so on, thus saving principles can be installed from a young age in other aspects, not only in monetary terms. But it is thought that it is better for the child to understand the value of money, understand how money is earned and saved and how to prepare for projects that we want to finance in the future, be it further education of these children or in any personal project that a household can have.

RTK: So it does not matter how much we can save, it is important to start with little?

Petrit Baliija, KBA: Exactly, here is the essence that a lot of people or individuals, many of us complain that cannot save because we have low incomes; however, I consider that it is not always the level of income that determines whether or not to save, because there are individuals who have very high incomes, but spend more than they earn, thus creating a negative balance at the end every month, and every time their income is increased, so are their costs and in this form they are unable to save, so it is important that the principles of saving exist and then savings to be in proportion to the income generated.

RTK: There are always complaints about low rates of deposits, why does this happen or how does it generally affect the whole process?

Petrit Baliija, KBA: By 2013 I can say that Kosovo had probably had the highest rates in the region for savings, i.e. interest rates on deposits but as a result of changes in the balances of commercial banks which created an accumulation of deposits and an excess liquidity has resulted in the decline of interest rates for deposits. Kosovo banking sector is sufficiently isolated from outside influences, however if we glance abroad, outside the borders of Kosovo, we see similar trends e.g. in Germany to deposit cash in a bank, many banks require payments in order for the bank to save the money, meaning there are negative deposit interest rates, where we have to pay 25 cents for every euro deposited in some banks because they have excess liquidity. It's similar here in Kosovo, where banks have a larger liquidity than desired and therefore have policies which are not oriented towards increasing the deposits.

RTK: Furthermore, we have a growing level of deposits these years, how does this happen?

Petrit Baliija, KBA: I think that every time customers are reluctant to invest, they turn to savings and deposits and as a result of the crisis that occurred, which included Kosovo since 2008, I believe that citizens were hesitant to invest the money and were oriented to banks by depositing more than in previous years, so this accumulation of deposits has resulted in a very high level of deposits that is not negative because it is good to have sufficient deposits and citizens have enough savings, but on the other hand, we also think that it is best to invest i.e. to think that a part needs to be saved while the another part to be invested in order not accumulate deposits and not have investments in the country, because it is known that the economic growth of the country is based on how much we consume and how much we invest our resources.

RTK: Mr. Baliija, how safe are these savings?

Petrit Baliija, KBA: That is a good question because, money safety is crucial, this is both a Central Bank of Kosovo and Kosovo's commercial banks' principle, that depositors' safety is at the highest level, for the moment I can say with full confidence, with full responsibility that Kosovo's banking system is among the safest systems in the region and beyond, this is also confirmed through comments from the European Central Bank, International Monetary Fund, and by the Central Bank of Kosovo which considers it a very safe and stable system.

RTK: So it's commendable for the money not to be kept at home or be kept in places inside the house, but rather to be sent to the bank, which is a safe place?

Petrit Baliija, KBA: I think that keeping the money at home probably comes from earlier times when we did not have our commercial banks, and we were afraid to send the money in state owned banks for potential losses, but now that we have our banking system, there is no reason to preserve the money at home. It is a dangerous position for savings because we often see houses suffering misfortunes of burning, fire, flood, thefts or the similar, which of course those assets are not safe there, while in the banking system, assets are 100 percent safe, and no matter what happens, will always have access to those funds.

RTK: Mr. Baliija I thank you for the time you offered us and our viewers, thank you for these tips throughout the conversation and successes with activities.

Petrit Baliija, KBA: Thank you very much!

(Interview on Radio Television of Kosovo <http://www.rtklive.com/?id=27&r=24136> , March 16, 2015

CBK MARKED GLOBAL MONEY WEEK



Even in Kosovo is marked the "Global Money Week", an activity taking place worldwide. Central Bank of the Republic of Kosovo, as part of the International Organization for Children and Youth; within its educational and financial activities marked the beginning of the week with elementary school children, namely, the primary school "Ismail Qemali" in Prishtina. Present at the event was the Governor of the Central Bank of the Republic of Kosovo, Bedri Hamza, who addressed the children with a speech, where the main message was the proper use of money. (Indeksonline, March 13, 2015).

“ZIRAAT BANK” SOON TO OPEN IN KOSOVO



A new commercial bank will soon open in Kosovo. The Turkish bank “Ziraat Bank” is now making its final preparations to commence work in Prishtina.

Kosovo’s banking market has added a new commercial bank. Although this bank’s officials refused to announce to the media, we learn that “Ziraat Bank” has already found a building in Prishtina and is making its final preparations to start the work, transmits RTK.

After Prishtina, “Ziraat Bank”, will open a branch in Prizren. Nonetheless, the opening of a new bank has not so far implied interest rate cuts, director of the American Chamber of Commerce Arian Zeka, told Radio Kosovo. “The introduction of new players in the financial system in Kosovo has not necessarily resulted in the improvement of the offer, since the problem lies in the implementation of contracts not being at the right level. Respective institutions such as the Ministry of Justice, other relevant institutions should work more on increasing the efficiency of the judiciary to remove the pretext behind”.

Meanwhile, the director of the organization “Konsumatori”, Selatin Kaçaniku hopes that the new bank will decrease the interest rates: “I can say that not only do we hope, but we also think it is the obligation of any new bank entering the market in Kosovo, to prove its presence with new products, new offers, and in this context most importantly that we as customers expect is to decrease the interest rates ...”

Otherwise, Ziraat Bankasi whose meaning in Albanian is the Agricultural Bank is one of three public banks. (Zeri, Kosova Sot, March 3, 2015)

IT IS FORMED THE GROUP FOR DRAFTING THE FUND FOR INVESTMENT AND EMPLOYMENT

Government of the Republic of Kosovo, led by Prime Minister Isa Mustafa, has held its regular meeting and adopted policies and decisions of its constitutional and legal responsibilities. Following the meeting, the Government of the Republic of Kosovo approved the decision to establish the Working Group on Drafting the Concept Paper on the Establishment of Investment and Employment Fund (Development Fund). The Working Group may invite representatives of other institutions of the Republic of Kosovo and the business sector who can contribute to this issue. (News Agency Ekonomia, March 5, 2015).

TELEGRAFI: THE FINANCIAL SECTOR IN KOSOVO HAS PERFORMED STABLE. CAN WE EXPECT REDUCTIONS OF INTEREST RATES ON LOANS?



Hoti: Interest rates on loans have started to decrease. For the first time this January we are seeing single-digit interest rates on loans. If the loan is taken with a good business plan in the sectors that are under development in Kosovo’s market, interest reaches up to 6 or 7 percent, depending on the collateral offered for the loan. We are working on the establishment of the Kosovo Credit Guarantee Trust with the help of our international partners. This fund will provide support for loans taken by businesses. This will cause interest rates to fall further. As in any other country, banks are businesses that maximize profit. However, the market is developing constantly and I expect the banks to reflect in this regard. What we actually need is to ensure institutional efficiency at all levels of governance. It’s the only way banks can be safe in issuing loans, thereby reducing financial risk from the perspective of bank loans. (Telegrafi, 10 March 2015).

TEB CONTINUES TO DESIGN AND CREATE NEW OPPORTUNITIES FOR WOMEN



TEB

BNP PARIBAS JOINT VENTURE

At the signing of the memorandum of cooperation with Women for Women International and Women's Economic Chamber of Kosovo, TEB Bank hosted a press conference in Prishtina. Within the program of women entrepreneurs, TEB bank continues to design and create new opportunities for ambitious women with a clear vision of their future and society. Therefore, this initiative of the aforementioned parties was received very well by the marginalized groups of society and is expected to have a greater impact in promoting and fulfilling the goals of women entrepreneurs. (Zeri, March 11, 2015)

THE TRAINING SEMINARS WITHIN THE BANKING CUSTOMER FINANCIAL EDUCATION PROJECT, HAVE BEEN HELD



The training seminars planned within the Banking Customer Financial Education project have been held during February 23 – 27, a project initiated by the Kosovo Banking Association (KBA) and to be implemented by the International Financial Corporation (IFC, part of The World Bank Group). Respective officers from KBA members have successfully passed the training and were certified in two fields.

and workshop sessions for their clients, on the topics of Personal (Family) Finance Management, Savings, and Smart Borrowing rules. The project foresees to have more than 3000 clients and other interested individuals trained by the end of the two year period.

The second training, Training of Counselors, lasted for 3 days and had the objective of certifying the participants to train their front office staff and client advisors specifically in properly communicating with various clients, in order to be able to comprehend the contract terms and understand how their relations with the bank function.

During these two years the project has other activities planned as well, including campaigns in various media and awareness raising activities, related to banking services and products.

The first training lasted for two days and certified trainers from member banks on Training of Trainers, who will then hold training



BANKING INDUSTRY NEWS THAT MARKED THE MONTH OF APRIL 2015

SOON, THE CREDIT GUARANTEE SCHEME



General International Fair “Prishtina 2015” was opened on Tuesday in Prishtina, Bërnice village. President of Kosovo Chamber of Commerce, Safet Gërxhaliu said the international fair is being organized for the 15th time in Kosovo and the number of participants is large. Meanwhile, Minister of Trade and Industry Hikmete Bajrami said the purpose of the fair is to create links between businesses in different countries and that the government will continue the support for businesses. Soon, the credit guarantee scheme will be functional and some laws will change to benefit the business, Minister Hikmete Bajrami emphasized. (Zeri, April 30th, 2015)

KOSOVO BANKING ASSOCIATION MEETS WITH CBK FOR THE IMPLEMENTATION OF THE BASEL STANDARDS

Today, on April 3rd, The Kosovo Banking Association represented by the executive director Mr. Petrit Balijsa and Legal Committee chairman Mr. Agron Krasniqi, hosted in a meeting the project team for the implementation of the Basel standards, chaired by Mr. Ralf Raab, Senior Advisor, Department of Banking Supervision at CBK. This meeting aimed to introduce the project for the Implementation of the Basel standards, which already is in full process and establish cooperative relations between KBA, Mr. Raab and his team which includes internal staff of CBK and external consultants.



The objectives of the project for the implementation of Basel standards were presented during the meeting as well as the forms of cooperation with KBA. The executive director of KBA Mr. Balijsa said for this meeting “This project has a particular value for the banking industry in Kosovo since it represents the fulfillment of international criteria for the better functioning of the banking system and further integration into the international financial arena. This project is being supported by the German organization GIZ. (Botapress, April 3rd, 2015)

ECONOMIC GROWTH OF 4.4%



Kosovo’s Minister of Economy, Avdullah Hoti announced that the Government of the Republic of Kosovo approved the Medium Term Expenditure Framework (MTEF) for the period 2016 - 2018. According to him, it sets budgetary limits and income limits for this period. “It is particularly important since it almost fully accommodates the objectives the government has for the next three years presented in the governance program, which was delivered in the Assembly of Kosovo”, said Minister of Finance Avdullah Hoti, in the press conference after the regular meeting of the Government of the Republic of Kosovo. According to the minister Avdullah Hoti, economic growth in the country based on MTEF is expected to be higher than the last 2-3 years, it is expected to reach around 4.4% on average for the next 3 years with this growing trend. (Zeri, April 30th, 2015)

KOSOVO'S NEW PROGRAM WITH IMF



During the spring meetings of the International Monetary Fund and the World Bank in Washington, Kosovo Institutions have reached an agreement in principle for a new program with the International Monetary Fund. This was confirmed during a press conference by the Finance Minister Avdullah Hoti and Governor of the Central Bank of Kosovo Bedri Hamza. According to the Minister of Finance Avdullah Hoti, this program will open opportunities for development projects in Kosovo. "Kosovo has macro fiscal stability and there is no need for the International Monetary Fund program to safeguard macro fiscal stability because we are able to maintain it, but we need the support of the Fund to ensure our credibility to international organizations towards public finances, so that we can have the opportunity to enter into international loans with the World Bank and other international financial organizations that are willing to finance Government projects", explains Hoti. (Telegrafi, April 27th, 2015)

DRAGHI: EUROZONE IS GAINING NEW MOMENTUM



On Wednesday, the European Central Bank President stated that there's "clear evidence" that its stimulus program is improving the economy of the Eurozone countries. Bank's President, Mario Draghi said that the Eurozone economy "gained a new momentum" since the end of last year and he expects the recovery to "broaden and strengthen significantly". The bank is in the initial phases of purchasing bonds worth \$1.1 billion to boost European business activity and lower unemployment reaching 11.3 percent. (Voice of America, April 16th, 2015)

"GRASPING" BANKS



International financial mechanisms and economy experts are calling upon commercial banks operating in Kosovo to increase the access to finance. According to them, as long as these are well capitalized and supervised, they should ease the terms on loans. During its two week visit in Kosovo, The International Monetary Fund had emphasized that "commercial banks in Kosovo are healthy and well supervised, but in general they should make effort increasing access to finance". Milazim Abazi, a financial expert, in a pronouncement for Radio Free Europe calls the loan criteria of banks as astringent and above all, according to him, interest norms are still high. According to the reports from Central Bank of Kosovo, effective interest norms start from 10.8 percent but this depends on the bank and the type of loan. On the other hand, Petrit Balija, Executive Director at Kosovo Banking Association, points out that commercial banks in Kosovo have had an increase in the issuance of loans during 2014. "This is a good sign that there is increased crediting. Banks as well would prefer an increase in crediting, but this is dependable on the demands by businesses, the economic development during 2015 and demand for business loans toward the banks", says Balija. (Telegrafi, April 3, 2015)

EBRD: CORRUPTION IS ONE OF THE MAIN PROBLEMS OF DOING BUSINESS IN KOSOVO



Informal economy, problems with power supply and corruptive practices have been identified as the three main challenges of doing business in Kosovo, according to an analysis of the European Bank for Reconstruction and Development (EBRD). The news was announced by the EBRD on Thursday through a press release stating that informal economy has been mentioned by business owners in Kosovo as the main challenge, consisting of 66% of the problem relating to doing business. This figure is the highest among the 30 states where the study has taken place. EBRD states that this is the fifth time that along with the World Bank, they conducted a survey named "Business Environment and Enterprise Performance" for 2013 and 2014. (Zeri, Kosova Sot, April 10th, 2015)

KOSOVO BANKING ASSOCIATION REACTS AFTER THE ACTION OF 'VETËVENDOSJE'

Kosovo Banking Association (KBA) reacted today to yesterday's action of Vetevendosje against high interest rates of banks in Kosovo. KBA emphasize that 'freedom of expression is crucial in the development of discussions and democracy in a country and we respect this principle, however it is more preferred that the complaints and dissatisfaction to be expressed in an institutional manner and addressed at adequate entities where they can be treated and replied respectively.

Commercial banks in Kosovo have their complaint departments while there is the department for protection of the consumer at the Central Bank of Kosovo and the Ministry of trade and Industry, as well, where a citizen can address any kind of concern or complaint. Regarding the banners displayed today outside the commercial banks of Kosovo we still do not have an official confirmation if they were put there by Vetëvendosje activists as claimed in the media. However, no matter which organization they belong, these activists have never bothered to address us for a meeting or discussion where they would be able to address their concerns and where they would receive more precise information; since from the pronouncement of these activists in the media, it is clear that they have the wrong information when citing that the average interest norm rate is 14% which in reality is 9.3% and is very close to the region. At the same time they compare our interest norms with the ones in the EU countries, knowing very well that Kosovo has yet to fulfill basic conditions for doing business as they are in the EU countries, which surely reflects on the interest norms as well, not only in Kosovo but in the Western Balkans in general.

Interest norms have improved continuously in Kosovo by dropping to 30% in the last 5 years and by marking one digit norms for the first time during 2014. If this trend continues we will have a much better offer and greater crediting by commercial banks in Kosovo, in the coming years. We remain open for all organizations interested in getting more information in this direction and in discussing actual trends and challenges with which the financial sector in Kosovo is faced, it is said at the end of the reaction of KBA .

(RTK Live, April 8, 2015)

BANKING INDUSTRY NEWS THAT MARKED THE MONTH OF MAY 2015

KOSOVO BANKING ASSOCIATION PARTICIPATES AT THE MEETING OF THE PARLIAMENTARY COMMITTEE FOR ECONOMIC DEVELOPMENT, INFRASTRUCTURE, TRADE AND INDUSTRY



Kosovo Banking Association (KBA) represented by the executive director Mr. Petrit Baliija attended a joint meeting of the Parliamentary Committee for Economic Development, Infrastructure, Trade and Industry and Parliamentary Committee on Legislation, mandates, and immunities, with the participation of the Kosovo Judicial Council and the Chambers of Commerce, to discuss about business disputes and the non-efficiency of the courts to resolve their cases. KBA through an official letter addressed in advance to the Committee for Economic development, infrastructure, trade and industry has addressed some of

the challenges facing the banking industry. In regards to this meeting, KBA executive director, Mr. Baliija said “In addition to many other risk factors facing the banking system in Kosovo, the justice system is one of the important factors which significantly increase the risk environment in which this sector operates. According to the report of Doing Business 2015, of the World Bank, Kosovo is listed in 138th place for contract enforcement out of a total 189 countries in the ranking list, and this should change in order for the banking industry to not face difficulties in the future. Parliamentary committees committed to do all what is possible to resolve these problems in the justice system that has been identified by business associations and chambers of commerce. (Botapress, May 6th, 2015)

PUBLICATION PROMOTES FINANCIAL LITERACY IN KOSOVO



The European Fund for Southeast Europe for the Development Facility will extend its support of ‘The Kosovo Banker’ magazine until the end of 2016. The EFSE DF has been supporting ‘The Kosovo Banker’, which is published by the Kosovo Banking Association (KBA) since 2013, with financial assistance as well as editorial contributions related to EFSE DF projects in Kosovo. The magazine serves as an important tool for providing reliable information on current developments in the banking industry to the general public in Kosovo. ‘The Kosovo Banker’ is published twice a year and has a print run of 10,000 copies per issue in the Albanian and English language and is distributed by email and the local daily newspaper ‘Koha Ditore’. It is currently the only magazine of its kind in Kosovo. In addition, the EFSE DF will provide funding for one year to the ‘Banking Periodic’, a monthly

review of key financial sector indicators recently launched by the KBA. Each month, the publication addresses specific issues of the financial system with the main focus on the banking sector in Kosovo. “Given that promoting financial literacy is high on our Responsible Finance agenda, we value this partnership highly”, said Markus Aschendorf, Chairperson of the EFSE DF Committee. “The KBA has proved a key partner in improving the level of financial literacy in Kosovo”. “The banking industry in Kosovo is keen to promote financial literacy among its customers as well as the general public. This is the first project of this nature and will surely play an important role in enhancing financial literacy in Kosovo. We hope that in future there will be other such projects in which we can partner with many other local and international organizations to further advance this cause”, added Petrit Baliija, Executive Director of KBA. (News Agency Ekonomia, May 18th, 2015)

THE PERFORMANCE AND CHALLENGES OF THE BANKING SECTOR WERE PRESENTED AT THE CONFERENCE 'ACTIVATING THE SOURCE OF ECONOMIC GROWTH IN KOSOVO'



Kosovo Banking Association, represented by the Chairman of the Board of Directors Mr. Robert Wright attended the first session of the conference 'Activating the Source of Economic Growth in Kosovo'. The first session addressed the topic "Investment for growth –Business environment and its limitations", where among the panelists who came from various institutions such as the Ministry of Finance, World Bank, Institutes and various universities, Mr. Wright gave a presentation on the performance and challenges of the banking industry in Kosovo. Among other things in his presentation Mr. Wright mentioned one of the biggest challenges of the banking sector, but also of other sectors in Kosovo, which is the contract enforcement. According to the World Bank evaluation, Kosovo is ranked in 138th place in the Doing Business report, regarding contract enforcement, standing so noticeably in a weaker position than the region countries, and thus disabling the positive developments in Kosovo's economy. Meanwhile, the Executive Director of the Kosovo Banking Association, Mr. Petrit Baliya estimates that it is very positive to support these debates and dialogue platforms on economic development because in this way we can identify the challenges and opportunities for further economic development. This conference was organized by Riinvest Institute and powered by Kosovo Banking Association as one of the main sponsors, on the occasion of the twentieth anniversary of the establishment of this institute. (Kosovo Banking Association, May 18th, 2015).

PRESIDENT OF THE PARLIAMENT ESTABLISHES THE OFFICE FOR BUSINESSES AT THE PARLIAMENT



President of Kosovo Parliament Kadri Veseli has announced that he has decided to establish an office in the Kosovo Parliament for business community in order for businesses to have better access to the drafting and enforcement of laws for economy.

Veseli announced this during the conference organized by the Kosovo Chamber of Commerce with the topic "Dialogue and partnership with the business community in drafting the legislation". On this occasion Veseli said that this decision is taken in order to draft the best possible laws that would push forward economic development. "I made a decision to establish an office for you at the Parliament in order to have close access to MPs in drafting legislation for the economy," said Veseli. He added that this decision was made for two important reasons which are making the best possible laws for economic development through professional advices from businesses and increasing the possibility of turning entrepreneurs' innovative ideas into the best laws for the economy. Executive Director of the Kosovo Banking Association Mr. Baliya, thanked President Veseli for the opportunity given for this meeting and for the opening of the representative office of businesses. He added that the banking industry is facing similar problems as other businesses in Kosovo, where contracts are not enforced, where informality is high, and where the judicial system is suffocated with unresolved cases.

Business representatives present at the conference praised the decision of the President Veseli as very important, noting that this initiative is very important for business development and the overall Kosovar economy. (Zeri, Kosova Sot, May 21th, 2015).

BULGARIAN HACKERS ARRESTED FOR ATM SKIMMING IN PRISHTINA



Two Bulgarian citizens Alexander Gradev and Bogdan Haxhiev accused of bank card fraud at several ATMs in Prishtina, Mitrovica and Fushe-Kosovo were sentenced to imprisonment of 2 years each. In addition to this conviction, they were obliged by the court to proportionately compensate the damage of 18 thousand, respectively, 150 Euros to two commercial banks in Kosovo. Prosecutor's Office in Prishtina filed charges against the two Bulgarian citizens on March 12th, 2015, charging them of unauthorized placement of devices to copy bank data on several ATM cards from December 2014 to January 21st, 2015. According to the prosecution, the two Bulgarians created fake cards from the customer data copied through ATMs, causing damage of 18 thousand Euros. (Kallxo.com, May 22th, 2015).

INTEREST RATES DECREASE



Loan interest rates have reached the lowest level since the post-war period, to an average of 9.3 percent. But interest rates on deposits have also fallen significantly compared to previous years. Executive director of the Banking Association, Petrit Balija says that this trend will continue. Kosovo's banking sector still plays an important role for the local economy. Lending which stagnated in 2013 and 2012, has started to grow. Last year, loans amounted to about 1.9 billion Euros, with an increase of 4.2 percent compared to 2013. Similarly, deposits increased by 3.6 percent, reaching a value of 2.5 billion Euros. Meanwhile, the interest on loans, as well as deposits has continued to decline, says the executive director of the Kosovo Banking Association, Petrit Balija for radio Kosovo. "In late 2014 and early 2015, we observed single-digit interest rates on loans for the first time, where the average rate for loans has fallen below 9.3 percent. At the same time, we see a decrease in the interest rates for deposits in a lower level than previously. This is the result of banks' added liquidity" he said. Balija says the trend of declining interest rates on loans as well as deposits will continue. On the other hand, the director of GAP Institute Agron Demi assesses positively the reduction of interest rates on loans, but notes that for some categories they are still high. (Economiksi, May 12th, 2015)

THE FUND WILL FACILITATE ACCESS TO FINANCE FOR BUSINESSES



The Investment and Employment Fund, is expected to improve access to finance on favorable conditions for young entrepreneurs, small and medium enterprises, and corporations. Kosovo's Prime Minister Isa Mustafa, during a press conference the day before, has declared that this fund, among other things, will provide access to finance for start-ups, cheaper loans for small and medium enterprises, and corporations who aim to expand their businesses. Businesses in Kosovo, which constantly complained about high interest rates and limited access to finance stated that this will help their development and, at the same time, the country's economic development. The total amount of loans to citizens in commercial banks reached 1.85 billion Euros; loans to enterprises continue to have the highest percentage, followed by loans to households. Experts in the field of economy have constantly requested competent authorities to examine the opportunities to create better access to finance for businesses, while they had sought reduction of interest on loans from commercial banks. (Radio Free Europe, May 12th, 2015)

BANKING INDUSTRY NEWS THAT MARKED THE MONTH OF JUNE 2015

CBK LICENSES THE TURKISH BANK ZIRAAT



Ziraat Bank has reportedly obtained the operating license for its branch in Prishtina by the Central Bank of Kosovo (CBK). The statement published in Ziraat Bank's Public Information Platform stresses that the bank has received permission from the Central Bank of Kosovo to operate with the branch in Prishtina. (Telegrafi, June 2, 2015)

FROM OVER 213 THOUSAND OLD COURT CASES, 10,500 BELONG TO THE BANKING SECTOR



The process initiated last year to facilitate the resolution of disputes between banks and their customers or vice versa, has not been working. The Judicial Council has appointed a number of new judges, but the overall solution to these cases is not expected to happen this year, reports KTV. Enver Peci said that with the addition of new judges and solving cases of higher values, the large number of cases of this sector would be reduced to some extent, but will not be completed. On the other hand, bank representatives are expecting the institutions to take this problem more seriously this year, transmits Koha.net. From over 213 thousand old cases, 10,500 belong to the banking sector. (Koha.net, Kohavision, June 3, 2015).

7.9% AVERAGE INTEREST RATE ON LOANS



The interest rate on loans, but also deposits, has decreased significantly during the first quarter of this year, compared to the same period last year. Based on the latest data of the Central Bank of Kosovo (CBK) it is shown that at the end of March, the interest rate on loans was 8.9 percent, while in the same period last year the average interest rate was 11.2 percent. During this period, the interest rate on deposits has significantly decreased from 1.7 percent at the end of March 2014 to 0.7 percent at the end of March this year. CBK's last report stated that the decline could have been affected by banking competition pressure and the reduction of the cost of financing banking activities. Nonetheless, the interest rates on loans for enterprises as well as households mark a steady decline, according to the CBK. While the interest rate by the end of 2014 was 9.2 percent, the rate in April was 8.3 percent, while 7.9 percent in May. However, this rate is estimated to be still high according to economic experts. (Zeri, June 10, Telegrafi June 27, 2015).

MODERN BANKING SERVICES AND TECHNOLOGICAL INNOVATION EMPOWER AND PROVIDE INDEPENDENCE TO BANK CLIENTS (WRITTEN BY E. BIBOLLI, JUNE 18, 2015)



We live in the XXI century, the century of technological progress and innovation. It's a fact that today, technological developments have given another dimension to the way we live, how we are informed, how we communicate and how we perceive reality. For generations, today it is difficult to imagine everyday life and professional work without a host of electronic devices. In this context, as in every other field, the worldwide financial systems have been subject to technological advances and have rapidly adopted the most modern technologies in the field of communication and providing services to clients. The banking system in Kosovo is no exception to this trend. It can be said with confidence that in recent years this system has adopted modern technologies, comparable to those of Western European countries with admirable intensity and speed. (Koha Ditore, 18 June 2015).

BANK DEPOSITS GROW



CBK has announced that deposits in the banking sector amounted to 2.57 billion Euros in March 2015, marking an increase of 5.9 percent; however, there was an increase of 7.1 percent in 2014. "The main factor that may have contributed to the slowing growth of deposits may be precipitous decline in the interest rates on deposits that are

characterizing the banking sector. The slowing growth of deposits might have also been impacted by the growth of emigration from Kosovo in the first months of 2015. The structure of deposits in the banking sector continues to be dominated by household deposits, which account for 74 percent of total deposits", has been stated in the report of the Central Bank of the Republic of Kosovo for the quarterly assessment of the economy. According to CBK, the second-largest item in the structure is enterprise deposits with a share of 20.3 percent of total deposits. (Bota Sot, Zeri, 12 June 2015).

CREDIT GUARANTEE FUND FOR 6 YEARS, 20 THOUSAND EMPLOYEES



After the approval for establishing the Credit Guarantee Fund for Kosovo during the Government meeting, the Minister of Ministry of Trade and Industry, Hykmete Bajrami, in press conference stated that the Fund will improve the business environment. Bajrami also said that the Fund will decrease barriers for obtaining credit created over the years, and within six years of loans being generated there is an opportunity for creating 20 thousand new jobs. According to her, this fund will provide 50 percent collateral discount, hoping to be reflected in the banking institutions, which after the reduction of risk by 50 percent will lower the interest rates. The fund will initially cover 50 percent of the collateral, which would automatically reduce the risk by 50 percent for the banks and we believe the banking, non-banking and microfinance institutions will reflect the reduction of this risk by 50 percent and of course lower the interest rates, "said Bajrami." This fund of about 20 million Euros in initial capital is estimated that within the first six years would increase the possibility of issuing new loans of about 360 million Euros and it is expected that these 360 million new loans can create up to 20 thousand new jobs", said Bajrami. (Telegrafi, 18 June 2015).

KOSOVO IS EXPECTED TO HAVE GROWTH OF 3.5 PERCENT



According to estimates of the Central Bank of Kosovo (CBK), Kosovo's economy for this year is expected to reach 3.5 percent. The acceleration of economic growth is expected to be generated by domestic demand and investment. As of the first quarter of this year, it had a public debt of 622.1 million Euros. Based on the latest publication of the CBK in the quarterly assessment of the economy, public investments have decreased by 20.2 percent as of March 2015, while foreign direct investment (FDI) have increased by 103.8 percent. (Zeri, June 18, 2015).

FINANCIAL LITERACY CAMPAIGN FOR CLIENTS WAS LAUNCHED



The campaign for financial literacy realized within the Project for Financial Literacy of banking clients has been launched. In the framework of this project, videos raising awareness in the field of e-banking, smart borrowing and product characteristics were published. These videos are intended to increase the financial literacy of clients making them proactive customers who are well informed about personal finances, understand the characteristics of banking products and thus make smart borrowing.

In connection with the launch of this campaign, the executive director of the Kosovo Banking Association Mr. Petrit Balijsa said "within its financial literacy strategy, KBA has supported the project financially; while IFC, a World Bank member has cooperated with KBA in implementing the Project for Financial Literacy, in order to improve the actual level of the financial literacy of the population, specifically targeting existing and potential banking clients in Kosovo". In order for customers to have a broader understanding of personal finances, besides the awareness campaign, the project for Banking Clients Financial Literacy predicts free training provided to bank customers in the following areas: personal finance management, smart borrowing and savings.

This project has been supported by commercial banks in the country, the Ministry of Trade and Industry, MasterCard and Visa. (Bota press, KosovaLive 360, InfoDirekt, News Agency Economia, Express, Blic, Lajmi.net, June 24, 2015).

BANKING INDUSTRY NEWS THAT MARKED THE MONTH OF JULY 2015

KBA AND IFC IMPLEMENT THE CUSTOMER FINANCIAL LITERACY PROJECT



In a conference organized today by the Kosovo Banking Association and IFC as part of the World Bank Group, the financial literacy project for banking customers was officially launched. Representatives of the World Bank, IFC, the Kosovo Banking Association, representatives of member banks and other participants attended the conference. In her opening remarks, Mrs. Syzana Dautaj thanked the Kosovo Banking Association for the excellent cooperation in this project. On the other hand, from the Kosovo Banking Association, Mr. Petrit Balija welcomed this project and stressed the importance of financial literacy once again. Among other things he said, "Kosovo Banking Association, by signing a cooperation agreement with IFC on July 2014, took the first step of this project by demonstrating commitment to clients' financial literacy. The goal of the project for client financial literacy is to help increase the skills and knowledge of existing customers and potential banking customers in Kosovo on the basics of finance". During the conference, IFC officially handed over the materials of the project to the Kosovo Banking Association. On this occasion, certificates of gratitude were distributed to all commercial banks in the Republic of Kosovo for their contribution in implementing the Financial Literacy project. This project is supported by member banks of the Kosovo Banking Association (Banka Ekonomike, Banka Kombëtare Tregtare, Bank for Business, IsBank, NLB Prishtina, ProCredit Bank, Raiffeisen Bank and TEB Bank), IFC as part of the World Bank Group, Master Card International, Visa International and the Ministry of Trade and Industry. (RTK live, Bota Sot, KosovaPress, Kosovalive 360, Kallxo.com, Telegrafi, Indeksonline, Blic, Zeri, Radio Televizioni i Kosoves, RTV 21, 10 July 2015).

HAMZA: IN THREE YEARS, INTEREST RATES WERE REDUCED BY 50 PERCENT



In the last three years in Kosovo, interest rates have decreased from the original 14 percent to 7.9 percent. This has been announced by the CBK governor, Bedri Hamza, for KTV's show Rubikon. Nonetheless, he didn't attribute all merits to himself, but rather stressed that the decline in rates by 50 per cent was due to an increase in competition, elimination of barriers and enforcement of the Law on private bailiffs. The banks in Kosovo have been assessed as safe. "Kosovo is an open market, there are 10 banks and this has led to an increased competition and rates were reduced by 50 percent within 3 years, in which case Kosovo became equal to all countries in the region, excluding Bosnia and Macedonia. The elimination of obstacles from our side also had an impact, we have created the legal infrastructure, and the private bailiffs have also had an influence. Let us not forget that the number of non-performing loans has dropped significantly. Hence, all these have complemented each other and caused the banks to establish their security. "He said that nowhere in the world and neither in Kosovo, can the state interfere with the banks to set interest rates for any loan. The deposit rates fall to 1 percent has been justified with the fact that banks have large deposits. (Koha Ditore, KTV, 15 July 2015).

ZIRAAT BANKASI A.Ş. - KOSOVO BRANCH BECOMES MEMBER OF THE BANKING ASSOCIATION



Since July this year, Kosovo Banking Association has added a member bank. This bank is T.C. Ziraat BANKASI A.Ş. - Branch in Kosovo. Ziraat Bank was founded in 1863 and is considered to be one of the largest banks in Turkey. Ziraat Bank is a sovereign bank (shareholder capital of the Bank is 100% owned by the Turkish Undersecretariat of Treasury). By December 31st, 2014, the Ziraat Bank network included 1,682 local branches and 25 international branches.

In regards to Ziraat Bank membership at the Kosovo Banking Association, the Kosovo branch manager Mr. Meriton Sunduri said "It is our pleasure to be member of the Kosovo Banking Association and we welcome the cooperation over the coming years of our growth in Kosovo".

Meanwhile, from the Kosovo Banking Association, Mr. Petrit Baliija, stated that "It is a great honor to have a bank and investor in Kosovo such as Ziraat Bank. I think that Ziraat Bank will contribute positively to increase the access to finance for the Kosovo citizens and businesses in Kosovo. This bank brings an exceptional experience considering that is one of the oldest banks and largest in the region and beyond. We, as Kosovo Banking Association will be in full support of the staff and management of Ziraat Bank. " (Zeri, Botapress.info, 23 July 2015).

A ROUNDTABLE DISCUSSION WAS HELD WITH THE TOPIC "THE RIGHT OF LEASEHOLD TRANSFER OF PRIVATIZED PROPERTY IN KOSOVO FOR 99 YEARS: IMPLICATIONS FOR BUSINESSES, FINANCIAL INSTITUTIONS AND THEIR CLIENTS"



On July 23rd, 2015, the World Bank office in Kosovo organized a round table on the topic "The Right of Leasehold transfer of privatized property in Kosovo for 99 years: Implications for businesses, financial institutions and their clients". In this roundtable, it was discussed about the right of leasehold transfer and in particular the legal interpretation made recently by the Kosovo Cadastral Agency, under which the way of transferring the right of Leaseholds for 99 years was instructed.

Representatives of the Kosovo Cadastral Agency, the Privatization Agency of Kosovo, Kosovo Banking Association, the legal representatives of the owners of privatized property were the participants in this discussion.

“THE KOSOVO BANKER” MAGAZINE IS DISTRIBUTED FOR FREE WITH KOHA DITORE



Today, July 27th, 2015, the Kosovo Banking Association distributes its edition of “The Kosovo Banker” for free, which comes along with the purchase of Koha Ditore newspaper. In this number, you will be able to learn about the Modernization of banking services; Increase in efficiency of the banking sector; Exclusive interview with the Minister of Finance, Mr. Avdullah Hoti; etc. (Koha Ditore, 27 July 2015).

BOARD OF DIRECTORS OF KOSOVO BANKING ASSOCIATION ELECTS NEW CHAIRMAN



A new Chairman has been elected during the last Kosovo Banking Association General Assembly meeting. With full consensus, Mr. Ilir Aliu, currently the CEO at ProCredit Bank in Kosovo has been elected as the Chairman of the Board of Directors of KBA for a mandate of two years.

On the occasion of his election in the function of the Chairman of the Board of Directors, Mr. Aliu said that “The banking sector in Kosovo is among the most developed and modernized sectors and also a powerful contributor of our country’s economic development. Therefore being at the head of the Kosovo Banking Association, which is also the voice of banking industry, is a great responsibility and a great honor. I will be thoroughly committed to the further development of this sector in order to advance the offer of the banking services in all aspects and also to improve the environment of doing business”.

On the other hand, the Executive Director of the Kosovo Banking Association, Mr. Petrit Balija, on the occasion of the newly elected leadership said “The Chairman of the board of directors carries an important role for the Kosovo Banking Association as well as the financial sector in Kosovo. On this occasion I congratulate Mr. Aliu on his election and I am very confident that Mr. Aliu will strongly contribute in the further development of the banking industry in Kosovo.” Kosovo Banking Association has been established in 2002 and represents 9 commercial banks, members at KBA. (Kosovo Banking Association, 28 July 2015)

THE KOSOVO BANKING ASSOCIATION AWARDS RECOGNITION FOR MR. ROBERT WRIGHT



The Kosovo Banking Association has awarded recognition to Mr. Robert Wright on the occasion of the successful conclusion of his second mandate as the Chairman of the Board of the Kosovo Banking Association (KBA). During his time as the chairman of KBA board, Mr. Wright has given a great contribution for the banking sector and KBA mission. On the occasion of handing the recognition to Mr. Wright, the executive director of KBA Mr. Balija stated “On behalf of the KBA Board and personally it is my honor to present this recognition to Mr. Wright for his extraordinary dedication and service in his position as chairman of the Board of KBA”.

On the other hand, Mr. Wright was thankful for this recognition where he stated “It has been a pleasure and an honor to be Chairman of the Kosovo Banking Association for two consecutive mandates and to be involved in the

many positive developments within the banking industry during this time.

I sincerely thank my fellow Board Members for all their commitment and cooperation during my time as Chairman, and I would also like to give special thanks to Mr. Petrit Balija and his team in the KBA office for the very professional support and guidance they have provided over the last 4 years. I wish Mr. Ilir Aliu from ProCredit Bank every success as the new Chairman of KBA“. Mr. Wright, currently the general director of Raiffeisen Bank Kosovo, has been elected by the Board to serve as the Vice Chairman of the Board for a new mandate during which the chairman will be Mr. Ilir Aliu, general director of ProCredit Bank. (Kosovo Banking Association, 28 July 2015).

ZIRAAT BANK WELCOMED AT THE KOSOVO BANKING ASSOCIATION

During the meeting of Board of Directors at KBA, on Wednesday, July 29 2015, the membership certificate was issued to the newest member, ZIRAAT Bank, Kosovo branch. This was the first time that the Executive Director at ZIRAAT, Mr. Meriton Sunduri, is taking part since the membership. At the end of the meeting, Mr. Sunduri received a certificate of membership on which occasion the chairman of the board of directors expressed his welcome to the newest member at KBA.



INTERNET ALONE IS NOT ENOUGH

(Opinion of the economist Ibrahim Rexhepi, published in Koha Ditore on July 14th, 2015)



A long time ago, by mid-2001, Ali Sadriu, then co-chair of AQF, accompanied by Andy Bearpark, head of the IV UNMIK pillar, withdrew 100 Deutsche marks from the first ATM installed in Kosovo. This was the moment when modernization of commercial banks work began, namely the introduction of electronics in banking transactions with customers. This initiative was marked by the former MEB, now ProCredit Bank. It was a distant time, which was characterized

with slow steps in the banking sphere, since it was under construction. Today, this looks like a fairy tale, as banks have advanced significantly, not only for the volume of work they do, but also to increase the quality and efficiency of customer service.

The present is characterized by dynamic developments in the field of electronics and fierce competition in the banking market. Kosovo cannot avoid these developments although modern banking system has a short tradition. However, this was no obstacle to apply new achievements, as banks enjoy great reliability of citizens who show this through “lending” money in the form of deposits, as well as making payments through banks ... In this trend, neither the American, nor European crisis affected, but neither some pessimistic statements claiming the banking system in Kosovo is unstable.

Banks showed stability, sustainability, but also eagerness to develop modern forms of banking services ... Undoubtedly, the primary merit for the introduction of e-banking function belongs to the banks. However, they are not the only ones who enabled this. In this regard, Kosovo has a priority -internet has an ongoing expansion, and its penetration rate exceeds many countries of the region...E-banking development is of multiple interests – banks have lower operating costs, though initially great investments have to be made. Nonetheless, clients receive the biggest advantages –a fast service wherever they need, costs are much lower than in the bank counters, while banks provide security. (Koha Ditore, 14 July 2015).

BANKING INDUSTRY NEWS THAT MARKED THE MONTH OF AUGUST 2015

KOSOVO ISSUES 5-YEAR BONDS FOR THE FIRST TIME



Being committed to the development of the financial market and creating new opportunities for investment, the Ministry of Finance announced the upcoming auction of the securities, in the form of 5-year bonds, which will be held on August 28th, 2015, notifies the Ministry of Finance, emphasizing that the auction for offers closes at 11:00. The maturity of bonds issued so far has been 3 months, 6 months, 12 months, 2 and 3 years. Hence, this auction marks the first issuance of bonds with a maturity of 5 years in the history of securities market in the Republic of Kosovo. The addition of new maturities indicates a healthy growth of the securities market. (Kosova Sot, Zeri, News Agency Ekonomia, August 25th, 2015).

DIGITAL BANKS



Customers and banks benefit in different ways from the digitization of banks. Some of these benefits to customers are avoiding waiting unnecessarily in lines to carry out any work at the bank, and avoiding adjusting the personal schedule to the hours when the bank is open; there is no need to go to the bank to check the balance and transactions, or the similar. Customers and banks worldwide, but at a satisfactory pace in Kosovo as well, are quickly adapting to digital services, because both sides have realized that digitization improves and fastens several banking processes. In Eastern Europe, particularly in Poland and Czech Republic, some banks constantly work towards digitization and are making great progress. Customers are accepting well these changes by introducing new options such as online banking. Finally, this is also noted in any of the major banks operating in Kosovo. (Express, August 18th, 2015).

KOSOVO'S BANKS PROVIDE LOWEST LOANS SO FAR



The average interest rate for loans in Kosovo marked the lowest level in 15 years.

Executive Director of the Kosovo Banking Association, Petrit Balijsa, has announced that the average interest rate on loans is 7.6% as reported at the end of June 2015. He said that 2015 has been a year of unprecedented decline in interest rates on

loans in the past 15 years in Kosovo, thus enabling citizens and businesses of Kosovo a much easier access to credit. Now Kosovo is below the average for the region and we hope that this will contribute positively to the economy.

According to data published by the World Bank, interest rates for loans in the countries of the western Balkans at the end of 2014 were: Albania 8.7%, Bosnia and Herzegovina 8.7%, Macedonia 7.5%, Montenegro 9.4%, and Serbia 14.8%. (Zeri, Telegrafi, RTK Live Botapress, Klan Kosova, Top Channel, Ekonomiks, Ekonomia Online, August 6th 2015).

TAK REIMBURSES CITIZENS



The Tax Administration of Kosovo has announced that the reimbursement of citizens who have applied and submitted envelopes with fiscal receipts has begun on August 6th. TAK has reviewed the applications and envelopes with fiscal receipts and has reimbursed the funds of 2,997 citizens so far, as defined in the Administrative Instruction No. 01/2015. TAK will review all applications in continuity, in order to reimburse all citizens that have applied and submitted envelopes with fiscal receipts. (Zeri, Kosova Sot, August 14th, 2015).

THE LOW RATES ON LENDING INCREASE INVESTMENTS

According to economy experts, the average interest rates for loans in Kosovo which are reduced to 7.6 percent are considered a good opportunity for investment growth. The Economics professor in the “University of Prishtina”, Nagip Skenderi, said for “Epoka e Re” that one of the main preconditions for economic development are new investments. Skenderi has indicated that the lower the interest rates on loans are, the more investors there will be. “The further the reduction on interest rates and the longer the grace period, for example a three year period not to return the activity and interest rate, the higher the development of economic activities of the respective economic subject will be”, he said. While, the deputy head of Business Alliance of Kosovo (BAK), Burim Piraj, said the news for the reduction of interest rates is a very good news in one hand, and on the other hand, not a good indicator. According to him, the good news is that all the entities interested in investing will be able to find the capital that would facilitate their investments and would offer greater opportunities to generate profits. “I think that despite the convenience, hardly there will be significant investments by the end of this year, because we have a total economic policy stagnation which would precede a much-awaited

economic development,” said Piraj adding that all operating banks in Kosovo are commercial banks and their rates are based on supply. “I think that in our country’s case, supply and demand can be the key factors in the declining interest rates, because we have a small market that is saturated at the moment with the presence of many different banks, in turn we have a demand in an economy that, in my opinion, for the first time in the post-war Kosovo will experience a decline. I think that these market factors have been precisely those that have resulted in lowering interest rates and in no way the goodwill of the banking system that is installed in our country,” said Piraj. According to data published by the World Bank, interest rates for loans in the Western Balkans countries at the end of 2014 were: Kosovo 9.2 percent, Albania 8.7 percent, Bosnia and Herzegovina 8.7 percent, Macedonia 7.5 percent, Montenegro 9.4 percent, and Serbia 14.8 percent. (Epoka e Re, News Agency Ekonomia, August 11th, 2015).



DRAFT LAW FOR THE ESTABLISHMENT OF CREDIT GUARANTEE FUND ADOPTED



In its 43rd regular meeting led by Prime Minister Isa Mustafa, the Government of the Republic of Kosovo, among other things, adopted the Draft Law for the establishment of the Kosovo Credit Guarantee Fund. This fund is being established with the great support of the United States with the application of best practices to support businesses and guarantee business loans, but also due to the significant participation of USAID, namely the United States in this fund, since almost a hundred percent of the initial capital funds will be granted by the United States of America. (Zëri, News Agency Ekonomia, Telegrafi, August 6th, 2015).

CREDIT FUND, OPPORTUNITIES FOR NEW JOBS



Economic experts estimate that the Kosovo Credit Guarantee Fund will enable the creation of new jobs in Kosovo. Furthermore, this fund will improve access to finance for small and medium enterprises. Kosovo's Government Cabinet meeting on Wednesday approved the draft law for the establishment of the Kosovo Credit Guarantee Fund. The fund, according to the Cabinet, will be established with the support of the United States Agency for International Development (USAID), with 20 million dollars allocated as initial capital. Economic affairs expert Naim Gashi, regards the establishment of the Fund considers as crucial for the development of businesses in Kosovo. (Zeri, Telegrafi, August 7th, 2015).

BANKING INDUSTRY NEWS THAT MARKED THE MONTH OF SEPTEMBER 2015

THESE ARE THE PRODUCTS THAT WILL COST LESS, AS OF TODAY



The Government of Kosovo has reduced VAT for a range of raw materials and essential products in accordance with its program, in order to reduce the financial burden on the lower income classes. These changes come as the implementation of the new fiscal package (Law on Value Added Tax, the Law on Personal Income Tax and the Law on Corporate Income Tax). So, starting today, September 1st, 2015, all essential products will have a Value Added Tax of 8%, from the original 16%. Grain, flour and such products, which include bread and similar products, will have an 8% VAT. By the same measure, cooking oil, milk, eggs and salt will also be taxed. Public utilities such as water (not bottled), electricity and heating will have an 8% imposed VAT. According to the new fiscal package, the Law on Value Added Tax will define two VAT rates, the standard VAT rate of 18 percent and the reduced VAT rate of 8 percent. This means that for other products, for which there is no reduction or removal of VAT, this tax will be increased at the rate 18%. (Telegrafi, September 1st, 2015).

DRAFT LAW ON THE ESTABLISHMENT OF THE CREDIT GUARANTEE FUND IS APPROVED

At the Government headquarters, the third meeting of the National Council for Kosovo's Economic Development (NCED) was held to discuss further steps to advance economic reforms in the country. Minister of Trade and Industry and at the same time coordinator of NCED, Hykmete Bajrami said that we are continuously trying to strengthen and transform the National Council for Economic Development into an important forum for business development and institutions of Kosovo. In the period between two meetings of the Council, the Government also adopted the draft law on the establishment of the

DEPOSIT INSURANCE FUND, IS WORTH 25 MILLION EUROS

The Deposit Insurance Fund, established four years ago, has reached a value of 25 million Euros and covers deposits in the amount of about 470 million Euros. The insurance limit is up to 3 thousand Euros, while from January of next year the limit will increase to 4 thousand Euros. This is the statement of the managing director of this fund, Violeta Arifi - Krasniqi for an interview with Radio Kosovo. Although the total amount of money deposited in the banking sector has reached 2 billion 500 million Euros, only about one-fifth of this amount is insured by the deposit insurance fund. "The number of insured depositors is about 721 thousand, of which the majority are physical persons, or 94.7 per cent," she stated. (RTK Live, News Agency Economia, September 15th, 2015).



Credit Guarantee Fund and the draft law will be processed for approval in the Assembly this month. On September 1st, the new law on fiscal package was enforced, which is expected to have a significant impact on the private business in Kosovo. (Zeri, September 9th, 2015).



INTRODUCTORY MEETING BETWEEN THE DIRECTOR OF THE KOSOVO BANKING ASSOCIATION AND THE NEW RESIDENT REPRESENTATIVE OF IMF IN KOSOVO



The executive director of the Kosovo Banking Association, Mr. Petrit Baliija hosted the new Resident Representative of IMF in Kosovo Mr. Ruud Vermeulen in a meeting. During the meeting, Director Baliija informed Mr. Vermeulen in detail about the current condition and performance of the banking industry in Kosovo and the cooperation with the IMF. In regards to this meeting director Baliija said “The main indicators of the banking sector in Kosovo are positive, but it requires a mobilization of all stakeholders so that the banking sector increases lending as much as possible for the local economy. While Mr. Vermeulen emphasized the good cooperation that IMF has had with KBA in the past and expressed a greater interest of the IMF about the financial sector in Kosovo. ‘While thanking Mr. Vermeulen for his willingness to cooperate, director Baliija wished him a good start in his new assignment and wished to strengthen the cooperation between the two institutions. (News Agency Economia, Kosovoalive 360, September 23rd, 2015).

HAMZA: THE FAIR, AN OVERVIEW OF THE FINANCIAL SYSTEM DEVELOPMENT

Like every other year, the Finance Fair 2015, which is being held in the Pallati i Rinisë, opened this year as well. This fair is a good opportunity to have customers or businesses familiarize with financial offers that commercial banks operating in Kosovo offer. Governor of the Central Bank of Kosovo (CBK), Bedri Hamza said that Finance Fair this year is serving as a good overview of the development in the financial system. According to him, the increasing number of financial institutions has made the Finance Fair bring innovation every year. According to him the role of the financial system in support of economic development of the country, has marked further improvements in the last period, mainly development within the banking sector activity.

Meanwhile, the chairman of the board of the Kosovo Banking Association, Ilir Aliu said that the fair is a good opportunity for dialogue between consumers and the financial sector. “This fair is an opportunity for consumers and the financial sector to negotiate, to see the innovation and development of the banking sector and see their offers. The fair is an opportunity for consumers to get acquainted not only with the banking sector, but also with the microfinance sector and the insurance company sector, “said Aliu. (Telegrafi, Bota Sot, Bota Press, RTV 21, Indeksonline, Express, Zëri, 24 orë, RTK, Kosova Sot, Agjencia e Lajmeve Ekonomia, October 29th, 2015).



“FINANCING PROGRESS IN KOSOVO” ON ECONOMIC DEVELOPMENT

Within the Finance Fair 2015, the conference “Financing Progress in Kosovo” was held in Swiss Diamond Hotel. Introduction to the conference was made by the opening speech of the deputy governor Mr. Fehmi Mehmeti who gave an overview on the current situation of the banking industry in Kosovo by highlighting and evaluating positive performance of the banking sector in recent years.

Also, the opening of the conference was done through the presentation on the performance of the banking industry by the chairman of the board of the Banking Association, and at the same time General Director of ProCredit Bank Mr. Ilir Aliu. After the opening speeches, a discussion with guest panelists was held. Panelists were: deputy governor, Mr. Fehmi Mehmeti, Jan Peter Olters from World Bank, Michael Gold from Crimson Finance Fund and Kosovo Credit Guarantee Fund, Memli Krasniqi from the Ministry of Agriculture, Robert Wright Vice Chairman of the Board and Chief Executive Officer at Raiffeisen Bank, Safet Gërxhaliu from Kosovo’s Chamber of Commerce and representatives of the insurance sector. The conference was moderated by the Executive Director of the Kosovo Banking Association, Mr. Petrit Balijsa. From all the discussion at the conference, various topics of importance to the financial sector were mentioned and discussed, but also for the economic development of the country. Among other things, were discussed the importance of agribusiness in economic development, challenges and barriers in access to finance for the sector, and what should be undertaken by all relevant institutions to achieve synergistic effects and to achieve positive results. Part of the discussion was the Kosovo Credit Guarantee Fund. Financing means, the main objectives of the fund, and the possible effects on economic growth and unemployment were discussed. Finance Fair Kosova concludes today, September 30th at 18:00. (Koha.net Blic KosovaPress, Express, News Agency Enomia, September 30th, 2015).



FINANCE FAIR KOSOVO 2015 WAS SUCCESSFULLY CONCLUDED

Finance Fair Kosovo which was held on 29 and 30 September 2015 at Pallati i Rinisë was successfully concluded. The fair began with the opening ceremony which took place at the hall of Pallati i Rinisë, where the governor of the Central Bank of Kosovo Mr. Bedri Hamza pointed out the importance of the Finance Fair and emphasized that the role of the financial system in the support of country's economic development marked further improvement in the recent period of time, and that mainly due to the developments within the banking sector.

The opening ceremony of the Fair was also done by the chairman of the Board of the Kosovo Banking Association Mr. Ilir Aliu which in his opening speech said that the fair is a good opportunity for dialogue between the customers and the financial sector, to see the innovations of development in the banking sector. He also spoke about the innovations that this year's fair have brought.

In addition to the exhibition of companies, in the second day of the Finance Fair was held the annual conference "Financing Progress in Kosovo". This conference brought together at the discussion table the relevant parties to discuss different important topics for the financial sector as well as the economic development of the country. Among other things, it was discussed about the importance of the agribusiness in economic development, challenges and the barriers for access to finance for this sector, as well as what should be undertaken from all relevant institutions to achieve synergy effects and to reach positive results. Part of the discussion was also the

Kosovo Credit Guarantee Fund. It was discussed how it is financed and what are the main objectives of this fund, which are the possible effects on the economic growth and unemployment.

The Finance Fair during these two days attracted a large number of visitors who had the opportunity to get acquainted closely with offers of banks, microfinance institutions, audit companies, accounting schools and institutes, educational institutions, as well as various programs.

With regard to Finance Fair 2015, the executive director of the Kosovo Banking Association, Mr. Balija stressed out that this fair has been the most successful fair we have organized so far. Visitors have had easy access to Pallati i Rinisë and have had the opportunity to visit financial institutions who have exhibit their services. We should also thank the participants of the annual financial conference, which resulted in a very constructive discussion about increasing funding for agribusiness. Also on this occasion it was celebrated the 10th anniversary of Center for Banking Training at the Kosovo Banking Association where we have thanked our collaborators with a certificate of recognition, said in the end the director Balija.

All conclusions of the annual conference organized within the Finance Fair 2015 will be published in the September 2015 edition of the Periodic Banking which will be available on the website of the Kosovo Banking Association. (Kosovo Banking Association, September 30th, 2015).



BANKING INDUSTRY NEWS THAT MARKED THE MONTH OF OCTOBER 2015

KOSOVO WITH LOWEST BAD DEBT IN THE REGION



Source: images.google.com

Currently, their value is around 140 million Euros, or about 7.1 percent of the total loan portfolio. So says the director of the Kosovo Banking Association, Balija, for Radio Kosova. Although lending in Kosovo has increased this year compared to last year, non-performing loans, which are known as bad debt that is not repaid on time from borrowers, has declined. The Director of the Kosovo Banking Association, Petrit Balija stressed for Radio Kosova that currently, the level of non-performing loans in Kosovo is the lowest in the region. The decline in non-performing loans, according to him, is the result of the commitment of both parties involved in this process. Otherwise, as of August this year, the overall level of loans has exceeded 2 billion Euros, which is the highest level since the postwar period, while the average interest rates have fallen to 7.9 percent. Businessman Ramiz Kelmendi says that due to high interest rates that have been present so far, some businessmen may face the problem of repaying old loans. (Telegrafi, Radio Kosova -13 October 2015, Zeri-14 October 2015).

AVERAGE INTEREST RATE ON DEPOSITS 0.8%, LOANS 7.6%

Interest rates on loans continued to follow the downward trend of recent years, while rates on deposits increased slightly compared to the previous year, reports Zëri.info. In June 2015, the average interest rate on loans decreased to 7.6 percent from 10.6 percent in June 2014. According to the Central Bank of Kosovo (CBK) the decline could have been influenced by the pressure of banking competition and the reduction of the cost of financing for banking activities compared to previous years. For deposits, the average interest rate rose to 0.8 percent from 0.6 percent in June 2014. Low interest rates on deposits are mainly due to the presence of sufficient liquidity in the banking sector. (Zeri, 20 October 2015).

THIS IS THE NEW 20 EURO BANKNOTE

When first announced in February of this year, Mario Draghi referred to it as one of the most technologically advanced banknotes regarding the possibility of counterfeit. And in fact, the new 20 Euro banknote, did not disappoint expectations. Depending on the light on the raised paper, the new banknote features different images. However, one of the images that appears on both sides is that of Europa, the Greek mythology figure. Tilting the banknote again against the effect of light, a raised 20 Euro figure appears in silver. Even the number changes its color depending on the light, from emerald green to deep blue. Moreover, in the central security thread, the same effects are observed depending on the light, again revealing the value of the banknote. In the new banknote, the Euro now appears as a symbol rather than a word, conveys Telegrafi from the world media print. The new banknotes whose main purpose is to limit the chance of counterfeiting as much as possible will enter into circulation starting November 25th, this year. The 20 Euro cut is most frequently used by forgers. Hence, the latter, seems they will not be able to duplicate the 20 Euro banknote. (Telegrafi, 22 October 2015).



WisdomTimes.com

Source: images.google.com

DEBATE ON THE ESTABLISHMENT OF THE CREDIT GUARANTEE FUND FOR KOSOVO



The draft law on the establishment of the Credit Guarantee Fund for Kosovo, was the subject of debate at a public hearing organized by the Committee for Economic Development, Infrastructure, Trade and Industry. Speaking about the purpose of the meeting, Chairman of the Committee, Muhamet Mustafa, said that the public hearing was organized with the aim of compiling a better law regulating the credit guarantee fund. Meanwhile, the draft was introduced by the representative of the Ministry of Trade and Industry (MTI), Remzije Hajdari. She said the bill has gone through a long process of public communication, with the goal of this draft to be more adequate and create larger opportunities for businesses. (News Agency Ekonomia, October 29, 2015).

EU COUNCIL APPROVES THE SAA WITH KOSOVO

The Council of the European Union approved the Stabilization and Association Agreement between Kosovo and the European Union on Thursday. Approval of the SAA in the Council of the EU, according to the Government in Pristina, marks the completion of the Stabilization and Association Agreement process and opens the way for signing the SAA on October 27th in Strasbourg. (Zeri, Telegrafi, 23 October 2015).



WB: KOSOVO RANKED AS 66TH ON THE EASE OF DOING BUSINESS

World Bank published its annual report on the ease of doing business that assesses the factors that facilitate or impede business in 189 countries around the world. The evaluation covers the period from 2014 to June 2015. In the latest report of the World Bank "Doing Business", Kosovo is ranked as 66th, while Albania as the 97th. It is noted that Kosovo has made progress compared to the previous year. From other countries in the region, Macedonia is 12th, Croatia 40th, Montenegro is ranked as 46th, Serbia 59th, and Bosnia and Herzegovina 79th (Koha Ditore, Kosova Sot, 29 October 2015).



ELECTRONIC PLATFORM FOR COMPLAINTS

The Department of Trade under the MTI, today has launched the on-line platform for reporting business barriers. This platform will enable the relevant government institutions to react quickly in taking the necessary measures to avoid the barriers and problems in international transactions. Senior Officer in the Department of Trade, Zef Dedaj noted that the platform "Report business barriers" intends faster communication between businesses and relevant institutions to address the barriers in implementing international transactions. According to him, the main beneficiaries of this platform will be all business in Kosovo. (Zeri, Telegrafi, 14 October 2015).



Source: images.google.com

BANKING INDUSTRY NEWS THAT MARKED THE MONTH OF NOVEMBER 2015

SAFE BANKS IN KOSOVO AND ALBANIA



Kosovo Banking Association is participating at the National Forum on Banking Security in Tirana. The official opening was conducted by the leaders of the Bank associations, respectively Mr. Petrit Balijsa from Kosovo, and Mrs. Endrita Xhaferi from Albania. On this occasion, Mr. Balijsa said that the safety of bank clients is one of the key objectives in the development of the banking sector in Kosovo. He stressed the importance of providing fast, easy and above all safe services to bank customers. Invited to the conference are representatives of state security institutions. (Kosovo Banking Association, Bota Sot, RTKlive, Lajmi.net, Ekonomia Online, 30 November 2015)

LECTURE ON FINANCIAL LITERACY BY THE KOSOVO BANKING ASSOCIATION AS PART OF GLOBAL ENTREPRENEURSHIP WEEK

On November 21st, 2015, the 8th elective Assembly of the Student Council in Kosovo organized by the Kosovo Youth Council (NGO) was held as part of the Global Entrepreneurship Week. Valon Shehu – certified trainer for Financial Literacy through the Banking Customer Financial Education Project undertaken by Kosovo Banking Association and IFC, participated as a presenter at this event. Mr.

KOSOVO'S FINANCIAL SECTOR REPRESENTED IN BERLIN

The annual meeting of the European Fund for Southeast Europe (EFSE) was held in Berlin, with the participation of leaders of the financial sectors for Southeast Europe. The executive director of the Kosovo Banking Association, Mr. Petrit Balijsa was invited to the panel to represent Kosovo. The panel was also attended by the Governor of the Central Bank of Croatia Mr. Boris Vujcic, former Governor of the Bank of Serbia Mr. Radovan Jelenc, and other representatives from the Netherlands and the United Kingdom who discussed regarding many developments in global financial area.

The Governor and Deputy Governor of the Central Bank of Kosovo, representatives of banks and microfinance institutions, as well as representatives of EFSE office in Kosovo were also part of the Kosovo delegation. (Kosovo Banking Association, Zeri, RTKlive, Botapress, News Agency Ekonomia, Telegrafi, 23 November 2015)



Shehu gave a presentation about savings to 100 participants, mainly high school students.



GLOBAL ENTREPRENEURSHIP WEEK IS BEING HELD



The Global Entrepreneurship Week is being celebrated in more than 160 countries simultaneously, from November 16th to 22nd. Global Entrepreneurship Week that started on Monday has brought together its supporting partners, who are increasing every year, from 12 in 2013 to 28 partners this year. Innovation Centre Kosovo (ICK), as the host of this week in Kosovo, along with its partners, are offering numerous events aimed at the promotion of entrepreneurship and innovation. Only in 2015, 10 million people are expected to directly participate in various activities throughout the world. (Kosova Sot, 19 November 2015)

SAA IS RATIFIED BY 86 VOTES

As a continuance, in the absence of the opposition, voting was conducted for the approval of the SAA, Koha.net reports. 87 MPs were present in the hall. MPs approved the amendment to the addition of the word "Republic" preceding the name of the state - Kosovo, where 85 were pro. As a result of counting the votes, it was apparent that 86 MPs voted pro the SAA. The opposition MPs of Vetevendosje, AAK and Nisma had abandoned the Assembly hall earlier. (Koha Ditore, 3 November 2015)

GROSS DOMESTIC PRODUCT PUBLISHED

Kosovo Agency of Statistics (KAS) is holding a conference organized on the occasion of the publication of "Gross Domestic Product" (GDP) for 2014, with expenditure and production approach, with current and constant prices. The introductory remarks will be held by the Chief Executive Officer of KAS, Isa Krasniqi, while the international guests that will also attend are: the General Director of Statistics in Sweden, Stefan Lundgren, and the representative of Eurostat, Marius Andersen. This is the first time that a CEO of an EU country visits KAS. Lundgren will speak on SCB's cooperation and joint projects between Statistics of Sweden and the Kosovo

GDP

Agency of Statistics. Furthermore, Andersen will talk about the support of Eurostat for the GDP in Kosovo and other regional countries. Mr. Lundgren will speak with the KAS staff in the presence of media, during the time scheduled for the seminar, where discussions and questions and answers will take place. (Kosova Sot, 10 November 2015)



UNESCO DIPLOMATIC FAILURE



The nearly one year long campaign of the Government of Kosovo to join the country in the United Nations Educational, Scientific, and Cultural Organization, UNESCO, has failed on Monday in Paris, where in the General Assembly of this UN organization, Kosovo was only three votes away from reaching the goal, writes Koha Ditore today. There were 92 countries that voted in favor of Kosovo's membership in UNESCO, 50 were against, and 29 countries abstained. The two-thirds majority necessary - 95 votes - was not reached by three votes. As soon as the results were announced by the Chairman of the Assembly, the hall erupted in applause from supporters of Serbia. Kosovo Serbs also celebrated Kosovo's denial for membership in UNESCO with flags and sirens.

Kosovo government officials involved in lobbying, who long before voting began boasted on having obtained the votes against the "rampageous" campaign of Serbia, refused to take responsibility for the failure. They are comforted by the fact that Kosovo was very close to being admitted, and that they will try again their membership in UNESCO in 2017, in the next General Assembly, which, as a rule, meets every two years. (Koha Ditore, 10 November 2015)

DRAFT LAW THAT PREVENTS MONEY LAUNDERING IN 2016

Kosovo's government failed to pass many important bills to the Assembly this year as well. One of them was the Amendment of the Law on the Prevention of Money Laundering and Terrorist Financing. Although this draft law was stipulated to be proceeded in Parliament in May this year, such a thing is not expected to be completed this year either. Muharrem Shahini, director of public relations office of the Ministry of Finance, told Tribuna Channel via email that this law will be carried forward to 2016. (Telegrafi, 16 November 2015)



BANKING INDUSTRY NEWS THAT MARKED THE MONTH OF DECEMBER 2015

THE GOVERNMENT AND THE WORLD BANK GUARANTORS FOR “KOSOVA E RE”

The World Bank (WB) and the Government of Kosovo will be the guarantors of the financial and environmental aspects of the project for the construction of the power plant “Kosova e Re”, was said in the Committee for Economic Development, where the Minister of Economic Development, Blerand Stavileci reported on this project. Members of the opposition did not participate in the Commission, while there was a debate between the MPs of LDK and PDK over corruption charges.

In general, all participants agreed to the agreement reached between the Ministry of Economic Development and company Contour Global for the construction of the plant. Besides, the chairman of the Commission, Muhamet Mustafa, expressed his satisfaction with the involvement of the World Bank in this project. (Telegrafi, December 2nd, 2015).



6 PERSONS ARRESTED FOR WITHDRAWAL OF CASH THROUGH CLONED CARDS

The Prosecution of Tirana has issued a detention order for 6 teenagers, who are accused of computer fraud. The youth group allegedly cloned debit cards, through which they withdrew cash at ATMs in three different cities: Lushnja, Kavaja, and Durres. The Prosecution of Tirana has launched an investigation based on the information obtained from the headquarters of a commercial bank in Tirana, which has found illegal intrusion into its system via an American card. From its verifications, the bank has suspicions that the American card was cloned and a considerable amount was being withdrawn from it. The investigation showed that the persons in question have attempted to carry out the withdrawal from several other cards, but these attempts have proved unsuccessful. The only card that worked was the one with (forged) American data, which, in addition to ATM, was also used in some gas stations in the city of Lushnja and Kavaja. (Express, Zeri, December 2nd, 2015).



HERE'S THE NEW LOOK OF SWISS BANKNOTES

From April 2016 we will begin to slowly forget the actual banknotes of the Swiss franc. For the first time, banknotes of 50 CHF will go into circulation, and then at intervals of one year and a half other banknotes will be put into circulation until the complete replacement of old banknotes, with new features that will be completed in 2019. They were scheduled to be put into circulation since 2010, but due to technical issues, this process has been delayed several times. (Telegrafi, December 3rd, 2015).



“BANKA PER BIZNES” WITH CREDIT PRODUCTS TO INCREASE ENERGY EFFICIENCY

With the support of IFC, a member of the World Bank Group, Banka per Biznes (BPB) has developed new credit products to finance energy efficiency projects for households and small businesses in Kosovo.

IFC has started its consulting work with BPB in September 2014 to help the bank to develop its expertise in lending based on energy efficiency. As a result of this cooperation, BPB has developed two lending products - loans for energy efficiency (EE) for private enterprises, and EE loans to individual borrowers, which were presented to the bank’s clients, representatives of the industry, and the public in the event organized in Prishtina marking the beginning of lending. “Cooperation with IFC has helped improve BPB’s expertise and internal capacity for the development of the banking business of energy efficiency lending,” said Richard Beasley, Chief Executive Officer of BPB. “The funding for energy efficiency projects is complex, but there is considerable potential in investment in efficient modernization of energy for Kosovo’s private households and small and medium enterprises. We are pleased to support the realization of this potential”. (Telegrafi, December 9th, 2015).



KOSOVO HAS ABOUT 32 THOUSAND ACTIVE BUSINESSES



There are about 32 thousand active businesses within the state of Kosovo that operate with economic activities, while the largest number of enterprises belong to the trade sector with 16,142 enterprises, or 50.6 percent of all businesses. These figures have been published by the Kosovo Agency of Statistics (KAS) in the last report. According to KAS, last year, the largest number of enterprises belongs to trade, followed by the manufacturing industry with 4,052 enterprises or 12.7 percent. Business services and other services have 4,023 companies or 12.6 percent, followed by hotel and restaurant activities, construction, transportation, etc. While, in terms of employment in economic sectors that were part of the research, it is indicated that the total number of employees reaches the figure of 145,736, of which: trade sector represents about 54,295 employees or 37.3 percent, manufacturing industry 22,257 or 15.3 percent, business services 15,954 or 10.9 percent, construction with 13,192, etc. The average monthly wage index, according to this report in 2014 was around 352 Euros for the activities included in the survey, which is a rough indicator of the reality. (Kosova Sot, December 10th, 2015).

KOSOVO RECEIVES 78 MILLION EUROS FROM EU ASSISTANCE

European Union Commission has approved a package of 1 billion Euros as assistance to support reforms and regional cooperation in the Western Balkans and Turkey and 78,000,000 are appropriated for Kosovo, for democracy, governance, rule of law, human rights, energy, agriculture and rural development.

This assistance is intended for countries, prior to acceptance, to support reforms in various sectors for countries wishing to join the EU.

Johannes Hahn, Commissioner for European Neighborhood Policy and Enlargement Negotiations, said that the package approved by the EU institution expresses strong commitment to the European Union perspective of the Western Balkan countries and Turkey. According to him, this is a long term investment in the economic stability of these countries.

Besides Kosovo, this assistant of 1 billion Euros will benefit Albania, Bosnia and Herzegovina, Macedonia, Serbia, and Turkey. (Zeri, December 14th, 2015).



HOTI: KOSOVO READY TO RECEIVE DEVELOPMENT LOANS



Finance Minister Avdullah Hoti announced that on Monday, the Assembly of Kosovo is expected to approve, on second reading, the amendments to the Law on Public Finance Management.

With this, according to him, modifications to the fiscal rule become possible and it enables the Government to borrow from international financial institutions to finance large capital projects, such as projects for agricultural land irrigation, railways, power grid, and other strategic projects. (Zeri, December 14th, 2015).

BANKS “CONTRIBUTED” TO THE DEVELOPMENT OF THE PRIVATE SECTOR



Economic development cannot happen without the development of the private sector and banks are the ones that can help, and are helping this sector. By those representing the banking system, the legislation of recent years and the system of private

enforcers was rated as a great help in the faster repayment of loans, which also represents one of the challenges of this sector. This was said at the conference organized by the American Chamber of Commerce in Kosovo on “Impact of Dynamic Banking Sector in Private Sector Development”. The Director of the American Chamber of Commerce in Kosovo, Arian Zeka told the audience that if there was something positive in recent years in Kosovo’s fragile economy, it was the banking sector which has shown to be strong and stable in our country. The Governor of the Central Bank of Kosovo, Bedri Hamza said that without a developed and strong banking sector, there cannot be a private sector development and hence no economic development of the country. World Bank Country Manager in Kosovo, Jan Peter Olters, in a speech, emphasized how important the banking sector has shown to be to the country’s development. Eriola Bibolli from Pro Credit Bank expressed the support given in the last two years from the legislation approved by the Assembly through the Law on Obligations and the operation of private enforcers, who according to her, have contributed significantly to the repayment of loans and the acceleration of cases in court, when there were delays in repayment. To have a greater trust between banks and the private sector, the financial statements of businesses must become more transparent, said Yll Sejdiu from NLB Bank. In its banking system, Kosovo currently has 10 commercial banks, 18 microfinance institutions, 15 insurance companies, and two pension funds. (Telegrafi, December 16th, 2015).

GERMANY GRANTS 17 MILLION EUROS TO KOSOVO

In the wake of financial cooperation realized over the years, the Government of the Republic of Kosovo signed the Agreement on Financial Cooperation 2015 “Project subsidies” with the Federal Government of the Republic of Germany, an important partner of bilateral financial and technical assistance; an agreement signed today by the Minister of Finance Avdullah Hoti and the ambassador of the Federal Republic of Germany in Kosovo, Ms. Angelika Viets. Unlike last year where loans were included, the Agreement on Financial Cooperation for 2015 includes only the section on the grant in the amount of 17 million Euros for financing some major projects, such as: “Supporting the Energy Sector, Phase VIII”, “Sewage Disposal in the Southwest, Phase V”, and “Waste Management Program”. (Kosova Sot, News Agency Ekonomia, December 16th, 2015).

OVER A BILLION EUROS OF OUTFLOW, KOSOVO SINKING IN DEBT

According to official statistical data of the Central Bank of Kosovo as of September 2015, country's public debt has reached 719.5 million Euros from 550.9 million Euros in the same period of 2014. Of the overall debt, 352 million Euros are domestic debt, while foreign debt has reached 367.2 million Euros. Expressed in percentage terms, public debt reached 12.5 percent of the Gross Domestic Product (GDP). The current Minister of Finance, Avdullah Hoti, said that this value puts Kosovo in a quite favorable position in terms of public debt, and therefore there is substantial room to borrow loans for development purposes. (Kosova Sot, December 22nd, 2015).



EBRD LENDS KOSOVO A 1 MILLION EUROS LOAN FOR ENERGY EFFICIENCY

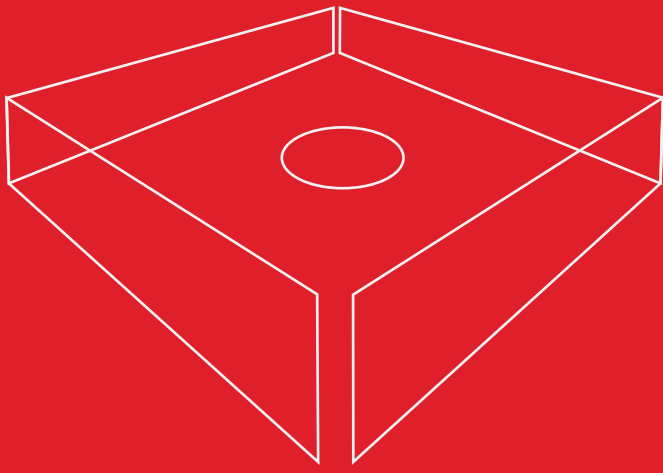
European Bank for Reconstruction and Development (EBRD) is promoting energy efficiency in the residential sector in Kosovo by lending an additional loan of 1 million Euros to Kreditimi Rural i Kosoves (KRK), a leading microfinance institution in the country.

This fresh funding is provided under the Kosovo Sustainable Energy Projects Framework (KoSEP) in response to a growing demand for energy efficiency financing in the country. According to an announcement of the EBRD, the availability of medium and long term financing for the private sector related to energy efficiency and sustainable energy investments is limited in the current market in Kosovo. EBRD is addressing this market gap through KoSEP, a facility of 12 million Euros for lending to energy efficiency and sustainable energy investments to small businesses and households. This facility also benefits from additional donor funding provided by the New Norway Cooperation Fund and the EBRD Shareholder Special Fund. (Kosova Sot, Zeri, December 23rd, 2015).

PUBLICATIONS OF THE KOSOVO BANKING ASSOCIATION

“Banking Periodic” is a monthly publication of the Kosovo Banking Association starting with its first publication in January of 2014. Monthly publications are comprised of data and general overview of the financial system in Kosovo. Each monthly publications will address specific issues of the financial system where the main focus is on the banking sector in Kosovo.
www.bankassos-kos.com.





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038 246 171

kbtraining@bankassoc-kos.com

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KOSOVO BANKING ASSOCIATION

Design: Mithat Sejdiu